

**HABITAT FOR HUMANITY
OF GREATER NASHVILLE**

FINANCIAL STATEMENTS

June 30, 2016 and 2015

HABITAT FOR HUMANITY OF GREATER NASHVILLE

TABLE OF CONTENTS

Independent Auditor’s Report..... 2 – 3

Financial Statements:

 Statements of Financial Position 4

 Statements of Activities..... 5 – 6

 Statements of Cash Flows..... 7

 Statements of Functional Expenses 8 – 9

Notes to Financial Statements..... 10 – 27



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Habitat for Humanity of Greater Nashville
Nashville, Tennessee

We have audited the accompanying financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Habitat for Humanity of Greater Nashville, as of June 30, 2016 and 2015, 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.

Frasier Dent & Hand PLLC

September 21, 2016
Nashville, Tennessee

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF FINANCIAL POSITION
June 30, 2016 and 2015

	2016	2015
Assets		
Cash and cash equivalents, including escrow accounts of \$504,395 and \$532,489, respectively	\$ 5,836,091	\$ 2,648,543
Grants receivable	1,166,583	474,528
Sponsor and other receivables, net of allowance of \$69,711 and \$30,507, respectively	251,193	184,094
Real estate held for sale	65,215	330,334
Construction-in-progress - rehabilitation	1,258,057	976,829
Construction-in-progress - new homes	680,313	470,556
Property and equipment, net	457,586	464,337
Land held for development	1,584,458	4,152,324
Mortgage notes receivable, net of discounts of \$21,298,510 and \$20,510,603, respectively	27,819,693	27,052,125
New Markets Tax Credit ("NMTC") intangible assets, net	40,612	48,614
NMTC joint venture investment	1,505,694	1,480,880
NMTC joint venture cash	69,288	88,445
Other assets	961,225	863,372
	\$ 41,696,008	\$ 39,234,981
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 253,522	\$ 390,972
Deferred revenue	1,277,873	1,332,429
Escrow accounts	495,957	541,462
Notes payable	15,927,951	15,351,715
NMTC joint venture note payable	1,880,000	1,880,000
Unearned revenue on mortgage loans	4,550,948	4,808,188
	24,386,251	24,304,766
Net assets:		
Unrestricted	5,688,683	4,960,746
Temporarily restricted	11,621,074	9,969,469
	17,309,757	14,930,215
	\$ 41,696,008	\$ 39,234,981

See accompanying notes.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016
(with Comparative Totals for the Year Ended June 30, 2015)

	2016			2015
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Transfers to homeowners	\$ 4,759,774	\$ -	\$ 4,759,774	\$ 6,333,399
Interest contributions	-	2,582,507	2,582,507	1,474,622
Contributions	2,060,189	107,619	2,167,808	2,374,558
ReStore sales	2,101,215	-	2,101,215	1,886,660
Grant income	1,721,761	108,000	1,829,761	2,232,950
Mortgage loan discount amortization	980,438	-	980,438	783,812
Gain on real estate held for sale	424,108	-	424,108	147,514
In-kind contributions	265,474	-	265,474	296,863
Other income	171,486	-	171,486	175,796
NMTC investment income	39,115	-	39,115	39,114
Interest income	9,605	-	9,605	4,585
	<u>12,533,165</u>	<u>2,798,126</u>	<u>15,331,291</u>	<u>15,749,873</u>
Net assets released from restrictions	<u>1,146,521</u>	<u>(1,146,521)</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>13,679,686</u>	<u>1,651,605</u>	<u>15,331,291</u>	<u>15,749,873</u>
Expenses:				
Program services	11,041,971	-	11,041,971	12,247,822
Supporting services	1,909,778	-	1,909,778	1,816,456
Total expenses	<u>12,951,749</u>	<u>-</u>	<u>12,951,749</u>	<u>14,064,278</u>
Change in net assets	727,937	1,651,605	2,379,542	1,685,595
Net assets at beginning of year	<u>4,960,746</u>	<u>9,969,469</u>	<u>14,930,215</u>	<u>13,244,620</u>
Net assets at end of year	<u>\$ 5,688,683</u>	<u>\$11,621,074</u>	<u>\$17,309,757</u>	<u>\$14,930,215</u>

See accompanying notes.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015
(with Comparative Totals for the Year Ended June 30, 2014)

	2015			2014
	Unrestricted	Temporarily Restricted	Total	
Support and revenue:				
Transfers to homeowners	\$ 6,333,399	\$ -	\$ 6,333,399	\$ 5,634,091
Contributions	2,342,558	32,000	2,374,558	2,289,450
Grant income	2,227,950	5,000	2,232,950	2,080,144
ReStore sales	1,886,660	-	1,886,660	1,820,840
Interest contributions	-	1,474,622	1,474,622	1,008,886
Mortgage loan discount amortization	783,812	-	783,812	675,477
Other income	175,796	-	175,796	139,396
In-kind contributions	296,863	-	296,863	364,637
Gain on real estate held for sale	147,514	-	147,514	80,699
NMTC investment income	39,114	-	39,114	39,115
Interest income	4,585	-	4,585	2,925
	<u>14,238,251</u>	<u>1,511,622</u>	<u>15,749,873</u>	<u>14,135,660</u>
Net assets released from restrictions	717,020	(717,020)	-	-
Total support and revenue	<u>14,955,271</u>	<u>794,602</u>	<u>15,749,873</u>	<u>14,135,660</u>
Expenses:				
Program services	12,247,822	-	12,247,822	11,769,500
Supporting services	1,816,456	-	1,816,456	1,833,366
Total expenses	<u>14,064,278</u>	<u>-</u>	<u>14,064,278</u>	<u>13,602,866</u>
Change in net assets	890,993	794,602	1,685,595	532,794
Net assets at beginning of year	<u>4,069,753</u>	<u>9,174,867</u>	<u>13,244,620</u>	<u>12,711,826</u>
Net assets at end of year	<u>\$ 4,960,746</u>	<u>\$ 9,969,469</u>	<u>\$14,930,215</u>	<u>\$13,244,620</u>

See accompanying notes.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Change in net assets	\$ 2,379,542	\$ 1,685,595
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Non-cash grants	(354,039)	(739,174)
Non-cash construction costs	602,547	1,442,384
Interest contributions	(2,582,507)	(1,474,622)
Transfers to homeowners	(2,545,851)	(3,477,757)
Depreciation and amortization	152,091	151,544
Bad debt expense	42,504	11,874
Net gain on foreclosure and disposal of property	(415,342)	(147,514)
Mortgage loan discount amortization	(980,438)	(783,812)
Amortization of discount on notes payable	830,774	605,518
NMTC investment income allocation	(39,115)	(39,114)
Changes in operating assets and liabilities:		
Grants receivable	(692,055)	55,275
Sponsor and other receivables	(109,603)	133,854
Construction-in-progress	(307,371)	228,409
Land held for development	2,567,866	(107,513)
NMTC joint venture cash	19,157	19,215
Other assets	(97,853)	35,954
Accounts payable and accrued expenses	(137,450)	111,663
Deferred revenue	(136,242)	33,606
Escrow accounts	(45,505)	(17,001)
Net cash used in operating activities	(1,848,890)	(2,271,616)
Cash flows from investing activities:		
Improvements to real estate held for sale	(53,653)	(150,124)
Purchases of property and equipment	(146,104)	(105,110)
Proceeds from disposal of property	819,255	330,578
Repurchase of mortgages receivable	-	(684,266)
Mortgage payments received	2,365,153	1,716,931
NMTC joint venture investment net distribution	14,301	14,301
Net cash provided by investing activities	2,998,952	1,122,310
Cash flows from financing activities:		
Proceeds from issuance of notes payable	6,367,111	4,091,373
Repayments on notes payable	(4,329,625)	(2,248,776)
Net cash provided by financing activities	2,037,486	1,842,597
Net increase in cash and cash equivalents	3,187,548	693,291
Cash and cash equivalents at beginning of year	2,648,543	1,955,252
Cash and cash equivalents at end of year	\$ 5,836,091	\$ 2,648,543

See accompanying notes.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2016

	Program Services				Supporting Services				
	Construction	Family Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total	Fund Raising	Management and General	Total	Total
Construction costs-new homes	\$ 3,707,724	\$ -	\$ -	\$ -	\$ 3,707,724	\$ -	\$ -	\$ -	\$ 3,707,724
Salaries and related expenses	714,489	640,702	-	1,020,823	2,376,014	862,516	339,079	1,201,595	3,577,609
Mortgage discounts	-	-	2,058,206	-	2,058,206	-	-	-	2,058,206
Interest and discount amortization	853,048	-	-	-	853,048	-	31,175	31,175	884,223
Construction costs-reconstruction	746,856	-	-	-	746,856	-	-	-	746,856
Lease expense	76,227	40,972	-	260,535	377,734	47,343	17,915	65,258	442,992
Office expenses	44,668	33,613	-	131,979	210,260	44,033	21,595	65,628	275,888
Legal and professional	17,360	55,578	-	3,405	76,343	3,950	92,846	96,796	173,139
Depreciation	55,653	16,758	-	45,054	117,465	20,792	5,832	26,624	144,089
Taxes and insurance	31,890	13,739	-	52,295	97,924	16,134	5,343	21,477	119,401
Repairs and maintenance	85,273	3,291	-	16,927	105,491	3,659	1,105	4,764	110,255
Other	6,594	32,580	-	4,078	43,252	10,439	33,397	43,836	87,088
Printing and public relations	599	7,055	-	6,681	14,335	64,933	3,427	68,360	82,695
Recruiting and training	2,000	1,056	-	1,819	4,875	47,269	27,566	74,835	79,710
Travel, meals and entertainment	4,807	14,632	-	9,509	28,948	37,589	11,258	48,847	77,795
Tithe to Habitat International	60,406	-	-	-	60,406	-	-	-	60,406
Vehicle expenses	40,295	-	-	19,143	59,438	232	-	232	59,670
Bank and credit card fees	7,368	13	-	33,266	40,647	4,700	5,831	10,531	51,178
Small tools and equipment	28,460	-	-	14,716	43,176	2,524	-	2,524	45,700
Bad debt expense	-	-	-	-	-	-	42,504	42,504	42,504
Special events	-	-	-	-	-	42,366	-	42,366	42,366
Sponsor and volunteer appreciation	1,715	-	-	1,699	3,414	31,539	90	31,629	35,043
Advertising	-	1,037	-	9,198	10,235	22,795	-	22,795	33,030
NMTC amortization	-	-	-	-	-	-	8,002	8,002	8,002
Deconstruction	-	-	-	6,180	6,180	-	-	-	6,180
	<u>\$ 6,485,432</u>	<u>\$ 861,026</u>	<u>\$ 2,058,206</u>	<u>\$ 1,637,307</u>	<u>\$ 11,041,971</u>	<u>\$ 1,262,813</u>	<u>\$ 646,965</u>	<u>\$ 1,909,778</u>	<u>\$ 12,951,749</u>

See accompanying notes.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2015

	Program Services				Supporting Services				
	Construction	Family Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total	Fund Raising	Management and General	Total	Total
Construction costs-new homes	\$ 3,514,470	\$ -	\$ -	\$ -	\$ 3,514,470	\$ -	\$ -	\$ -	\$ 3,514,470
Salaries and related expenses	627,999	614,473	-	967,673	2,210,145	838,439	323,808	1,162,247	3,372,392
Mortgage discounts	-	-	2,851,643	-	2,851,643	-	-	-	2,851,643
Construction costs-reconstruction	1,761,336	-	-	-	1,761,336	-	-	-	1,761,336
Interest and discount amortization	617,030	808	-	2,589	620,427	808	40,714	41,522	661,949
Lease expense	74,183	40,675	-	257,039	371,897	47,954	19,308	67,262	439,159
Office expenses	38,777	32,058	-	124,767	195,602	44,332	14,845	59,177	254,779
Legal and professional	29,368	62,089	-	2,044	93,501	2,262	66,238	68,500	162,001
Depreciation	50,059	18,027	-	44,539	112,625	24,639	6,278	30,917	143,542
Taxes and insurance	32,002	12,517	-	49,670	94,189	15,430	4,172	19,602	113,791
Recruiting and training	5,691	2,325	-	3,000	11,016	46,604	29,908	76,512	87,528
Travel, meals and entertainment	5,405	11,853	-	11,088	28,346	44,790	9,029	53,819	82,165
Vehicle expenses	52,528	-	-	28,422	80,950	414	-	414	81,364
Printing and public relations	-	8,672	-	2,968	11,640	69,550	-	69,550	81,190
Other	10,335	33,307	-	7,355	50,997	6,665	19,523	26,188	77,185
Repairs and maintenance	53,315	1,767	-	17,779	72,861	1,691	483	2,174	75,035
Tithe to Habitat International	68,993	-	-	-	68,993	-	-	-	68,993
Special events	-	-	-	-	-	60,806	-	60,806	60,806
Bank and credit card fees	16,582	2	-	27,693	44,277	249	8,881	9,130	53,407
Small tools and equipment	18,776	160	-	16,514	35,450	3,993	-	3,993	39,443
Sponsor and volunteer appreciation	603	191	-	155	949	34,967	-	34,967	35,916
Advertising	-	1,394	-	7,595	8,989	9,651	149	9,800	18,789
Bad debt expense	-	-	-	-	-	-	11,874	11,874	11,874
NMTC amortization	-	-	-	-	-	-	8,002	8,002	8,002
Deconstruction	-	-	-	7,519	7,519	-	-	-	7,519
	<u>\$ 6,977,452</u>	<u>\$ 840,318</u>	<u>\$ 2,851,643</u>	<u>\$ 1,578,409</u>	<u>\$ 12,247,822</u>	<u>\$ 1,253,244</u>	<u>\$ 563,212</u>	<u>\$ 1,816,456</u>	<u>\$ 14,064,278</u>

See accompanying notes.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS
June 30, 2016 and 2015

NOTE 1 – ORGANIZATION AND PURPOSE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Income Taxes

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

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Habitat has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended June 30, 2013 through June 30, 2016. Habitat has no uncertain tax positions at June 30, 2016 and 2015.

Basis of Presentation

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

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Temporarily restricted net assets – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Habitat and/or the passage of time. Temporarily restricted net assets at June 30, 2016 and 2015 consist of contributions received and receivable restricted for home construction, the purchase of land, and the unamortized discount on below market interest rate loans payable.

Permanently restricted net assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. Habitat has no permanently restricted net assets at June 30, 2016 and 2015.

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

Use of Estimates

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

Cash Equivalents

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

Home Sales and Mortgage Notes Receivable

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Home Sales and Mortgage Notes Receivable (Continued)

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

Property and Equipment

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

Land Held for Development

Land held for development consists of land and improvements to be utilized as lots for future Habitat homeowners. Costs incurred to improve land are capitalized when incurred. Interest incurred on related debt during the construction period is capitalized as incurred. The total allocated cost of each lot is charged to construction-in-progress upon commencement of building activities. The Organization sold 183 acres of land held for development for approximately \$1,800,000 to an unrelated entity during the year ended June 30, 2016. There was no significant gain or loss resulting from this transaction.

Deferred Revenue

Deferred revenue consists of deposits received on conditional promises to give and amounts received through The Housing Fund, Inc. via a Community Development Block Grant. Deposits on conditional promises to give are from sponsors of future home building and totaled \$630,799 and \$634,420 at June 30, 2016 and 2015, respectively. Amounts received through The Housing Fund, Inc. totaled \$647,074 and \$563,009 at June 30, 2016 and 2015, respectively, and represent amounts that have been expended toward the purchase and rehabilitation of homes in flood impacted areas. The deferred revenue will be recognized as income only upon completion of the rehabilitation and sale of the home to a qualifying family. Deferred revenue at June 30, 2015 also includes \$135,000 received as a deposit on a real estate sales contract. This amount was recognized as revenue at the completion of the sales transaction.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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

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

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using an interest rate applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

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

Grant Income

Grant funds are earned and reported as revenue when Habitat has incurred expenses in compliance with the specific restrictions of the grant agreement.

Grant funds that are restricted for use in home construction are reflected as unrestricted revenue since these funds are generally received and spent during the same year.

Program Services

Program services include construction, ReStore operations, family support and educational ministries and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of new homes transferred, which have an average cost of \$119,604 and \$109,827 for the years ended June 30, 2016 and 2015, respectively.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled \$33,030 and \$18,789 for the years ended June 30, 2016 and 2015, respectively.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Summarized Financial Information

The financial statements include certain 2014 summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Habitat’s financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Reclassifications

Certain reclassifications have been made to the 2015 financial statements to conform to the 2016 presentation.

Subsequent Events

Habitat evaluated subsequent events through September 21, 2016, when these financial statements were available to be issued. Other than disclosed in Note 23, Habitat management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – GRANTS RECEIVABLE

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

	2016	2015
Federal Home Loan Bank	\$ 888,750	\$ 370,250
Metropolitan Development and Housing Agency	188,759	-
Foundations and other	89,074	104,278
	\$ 1,166,583	\$ 474,528

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Habitat has included unconditional promises to give in sponsor and other receivables. All contributions are scheduled to be received within one year.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 5 – CONSTRUCTION-IN-PROGRESS – REHABILITATION

Construction-in-progress—rehabilitation consists of homes purchased with funds provided by The Housing Fund, Inc. in flood impacted areas for the purpose of rehabilitation and sale to qualified partner families. At June 30, 2016 and 2015, costs accumulated under this agreement totaled \$1,258,057 and \$976,829 respectively.

A summary of rehabilitation activity for 2016 is as follows:

	<u>Number</u>	<u>Costs</u>
Homes under rehabilitation, June 30, 2015	8	\$ 976,829
Additional costs incurred on beginning inventory	-	134,285
Homes purchased and started in 2016	6	835,640
Homes closed in 2016	<u>(5)</u>	<u>(688,697)</u>
Homes under rehabilitation, June 30, 2016	<u>9</u>	<u>\$ 1,258,057</u>

NOTE 6 – CONSTRUCTION-IN-PROGRESS – NEW HOMES

A summary of new home construction activity for 2016 is as follows:

	<u>Number</u>	<u>Costs</u>
New homes under construction, June 30, 2015	10	\$ 470,556
Additional costs incurred on beginning inventory	-	592,049
New homes started in 2016	39	3,325,432
New homes closed in 2016	<u>(31)</u>	<u>(3,707,724)</u>
New homes under construction, June 30, 2016	<u>18</u>	<u>\$ 680,313</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2016</u>	<u>2015</u>
Buildings	\$ 249,720	\$ 249,720
Office equipment	261,841	211,441
Leasehold improvements	226,421	226,421
Vehicles and trailers	324,695	321,364
Other	<u>292,893</u>	<u>234,650</u>
	1,355,570	1,243,596
Less accumulated depreciation	<u>(897,984)</u>	<u>(779,259)</u>
	<u>\$ 457,586</u>	<u>\$ 464,337</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 8 – LAND HELD FOR DEVELOPMENT

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

	<u>2016</u>	<u>2015</u>
Park Preserve	\$ 922,290	\$ 3,263,264
Park at Priest Lake	214,562	206,939
Hallmark	141,425	459,632
Wilson County	114,017	10,000
Edison Park	103,578	96,372
Dickson County	66,296	116,117
Cheatham County	<u>22,290</u>	<u>-</u>
	<u>\$ 1,584,458</u>	<u>\$ 4,152,324</u>

NOTE 9 – MORTGAGE NOTES RECEIVABLE

At June 30, 2016 and 2015, Habitat holds mortgage notes receivable totaling \$49,118,203 and \$47,562,728, respectively, at face value generally with original maturities of 30 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. The notes have been discounted at various interest rates ranging from 4.5% to 9% using the straight line method over the lives of the mortgages. Mortgages are reported net of unamortized discount. Mortgage notes receivable and the related discount are summarized as follows at June 30:

	<u>2016</u>	<u>2015</u>
First mortgages	\$ 37,071,683	\$ 35,883,614
Second mortgages	10,700,781	10,378,400
Third mortgages	<u>1,345,739</u>	<u>1,300,714</u>
	49,118,203	47,562,728
Less unamortized discount	<u>(21,298,510)</u>	<u>(20,510,603)</u>
	<u>\$ 27,819,693</u>	<u>\$ 27,052,125</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 9 – MORTGAGE NOTES RECEIVABLE (Continued)

Principal payments due on mortgage notes receivable are as follows:

<u>Year ending June 30,</u>		
2017	\$	1,921,486
2018		1,897,313
2019		1,867,861
2020		1,841,725
2021		1,818,242
Thereafter (including non-paying second and third mortgages of \$6,691,828)		<u>39,771,576</u>
Notes receivable at face value		49,118,203
Less: unamortized discount		<u>(21,298,510)</u>
		<u>\$ 27,819,693</u>

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

	<u>2016</u>	<u>2015</u>
31-60 days past due	\$ 1,180,285	\$ 423,457
61-90 days past due	298,025	-
Greater than 90 days past due	<u>387,741</u>	<u>272,074</u>
Total past due	1,866,051	695,531
Current	<u>47,252,152</u>	<u>46,867,197</u>
	<u>\$ 49,118,203</u>	<u>\$ 47,562,728</u>

NOTE 10 – NEW MARKETS TAX CREDIT INTANGIBLE ASSETS

Habitat incurred \$44,136 in guarantor fees related to its NMTC financing in August 2012, to be amortized over 7 years, the period to which the guarantee applies. The guarantor fee represents fees paid to the third party administrator in the transaction, who is responsible for ensuring that Habitat performs and complies with all aspects of the transaction requirements. Habitat also incurred \$27,151 in closing costs related to its NMTC note payable in August 2012, to be amortized over the 15-year loan term.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 10 – NEW MARKETS TAX CREDIT INTANGIBLE ASSETS (Continued)

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

	<u>2016</u>	<u>2015</u>
Qualified active low income community business (“QALICB”) guarantor fee	\$ 44,136	\$ 44,136
NMTC closing costs	<u>27,151</u>	<u>27,151</u>
	71,287	71,287
Accumulated NMTC amortization	<u>(30,675)</u>	<u>(22,673)</u>
NMTC intangible assets, net	<u>\$ 40,612</u>	<u>\$ 48,614</u>

NOTE 11 – NEW MARKETS TAX CREDIT JOINT VENTURE INVESTMENT

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

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

	<u>2016</u>	<u>2015</u>
Beginning balance	\$ 1,480,880	\$ 1,456,067
Capital contributed	-	-
Distributions received	(14,301)	(14,301)
Share of income	<u>39,115</u>	<u>39,114</u>
Ending balance	<u>\$ 1,505,694</u>	<u>\$ 1,480,880</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 12 – NOTES PAYABLE

	2016	2015
<p>Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in total monthly principal installments totaling \$77,811 (at June 30, 2016) with varying maturities through July 2046, secured by non-interest bearing first mortgages held by Habitat, with a discounted value of \$11,117,003. The notes payable have an undiscounted balance outstanding of \$20,516,962 and \$20,702,797 at June 30, 2016 and 2015, respectively. Discount rates ranging from 4.5% to 5.25% were applied to arrive at net present value of the notes payable at issuance. Contribution revenue of \$478,942 and \$1,211,308 has been recognized in 2016 and 2015 respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2016 and 2015 amounted to \$9,399,959 and \$9,452,122, respectively.</p>	\$ 11,117,003	\$ 11,250,675
<p>Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$16,268, maturing at multiple times through December 2045. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2016 of \$4,374,904. Contribution revenue of \$1,744,247 has been recognized in 2016 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2016 amounted to \$1,708,190.</p>	2,666,714	-
<p>Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from \$170 to \$3,125 through June 2021.</p>	438,136	546,343
<p>Notes payable to The Housing Fund, Inc. secured by certain real property, bearing interest at 3% through June 2016, payable in 120 to 180 equal monthly principal installments</p>		

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 12 – NOTES PAYABLE (Continued)

	2016	2015
<p>ranging from \$239 to \$617, through approximately December 2032. In June 2016, the debt was converted to 0.0% interest with \$124,501 of contribution revenue recognized in 2016 to present the difference between the undiscounted notes payable balance of \$1,448,467 and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2016 and 2015 amounted to \$124,501 and \$0, respectively.</p>	1,323,966	1,090,073
<p>Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$833, maturing at multiple times through September 2027. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2016 of \$92,921. Contribution revenue of \$19,831 has been recognized in 2016 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2016 amounted to \$18,877.</p>	74,044	-
<p>Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$1,762, maturing at multiple times through January 2041. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2016 of \$515,981. Contribution revenue of \$214,992 has been recognized in 2016 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2016 amounted to \$207,893.</p>	308,088	-

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 12 – NOTES PAYABLE (Continued)

	2016	2015
<p>Note payable to bank, secured by certain real property held for development. Principal payment of \$135,000 was due on June 30, 2015 with interest accruing at the bank's base rate (as defined) less 4.0% (0% at June 30, 2016) on unpaid principal balance maturing December 2016. Note was paid off during 2016.</p>	-	1,457,700
<p>Notes payable to bank secured by mortgages receivable, bearing interest at 2%, payable in monthly principal and interest installments totaling \$1,000, maturing November 2037 through November 2038. Notes were paid off during 2016.</p>	-	220,598
<p>Notes payable to bank secured by mortgages receivable, bearing interest at 1.80%, payable in monthly principal and interest installments totaling \$2,609, maturing at multiple times through August 2043. The notes payable have been discounted using a rate of 2.7% representing the difference between a market rate of 4.5% and the nominal rate of the notes. The notes had an undiscounted balance outstanding at June 30, 2015 of \$547,166. Contribution revenue of \$130,394 has been recognized in 2015 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount was being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2015 amounted to \$126,458. Notes were paid off during 2016.</p>	-	420,708
<p>Notes payable to bank secured by mortgages receivable, bearing interest at 1.80%, payable in monthly principal and interest installments totaling \$2,020, maturing at multiple times through March 2042. The notes payable have been discounted using a rate of 2.7% representing the difference between a market rate of 4.5% and the nominal rate of the notes. The notes had an undiscounted balance outstanding at June 30, 2015 of \$494,726. Contribution revenue of \$132,920 has been recognized in 2015 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The</p>		

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 12 – NOTES PAYABLE (Continued)

	2016	2015
discount was being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2015 amounted to \$129,108. Notes were paid off during 2016.	-	365,618
	<u>\$ 15,927,951</u>	<u>\$ 15,351,715</u>

Future principal maturities of notes payable are as follows:

<u>Year ending June 30,</u>	
2017	\$ 1,470,814
2018	1,467,203
2019	1,369,146
2020	1,349,456
2021	1,333,258
Thereafter	20,397,494
Total principal maturities	27,387,371
Amounts representing imputed interest	<u>(11,459,420)</u>
	<u>\$ 15,927,951</u>

NOTE 13 – LINE OF CREDIT

Habitat has a \$950,000 unsecured line of credit agreement with a bank bearing interest at the bank’s index rate plus 1% (4.25% at June 30, 2016). The line of credit had a maturity date of November 2015 and was renewed through December 2016. At June 30, 2016 and 2015, no borrowings were outstanding under the line of credit agreement.

NOTE 14 – NEW MARKETS TAX CREDIT JOINT VENTURE NOTE PAYABLE

Habitat has a loan payable to CCM Community Development XXVII, LLC (“CCM”), a community development entity, dated August 31, 2012 as part of the NMTC transaction. It is a 15-year loan bearing interest at 0.76% with semi-annual interest-only payments commencing on November 10, 2012 and continuing until November 10, 2020. Principal and interest payments are to commence on November 10, 2020 due semi-annually to then fully amortize the principal balance over an 8-year period, maturing May 10, 2028. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the joint venture’s related parties that is expected to be exercised in 2020 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2016 and 2015 is \$1,880,000.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 14 – NEW MARKETS TAX CREDIT JOINT VENTURE NOTE PAYABLE
(Continued)

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

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

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

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

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

	2016	2015
Unamortized discount on notes payable	\$ 11,459,420	\$ 9,707,688
Donor restricted contributions	159,399	252,994
Contributions receivable, net	2,255	8,787
	\$ 11,621,074	\$ 9,969,469

NOTE 16 – CONCENTRATIONS

Habitat maintains its cash in bank accounts that at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation (“FDIC”). Management believes Habitat is not exposed to any significant credit risk on its cash balances. Uninsured balances at June 30, 2016 and 2015 totaled \$141,035 and \$95,242, respectively.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 17 – COMMITMENTS AND CONTINGENCIES

In connection with the development of Park Preserve, Edison Park and Hallmark subdivisions, Habitat has obtained letters of credit totaling \$677,000 and \$960,000 at June 30, 2016 and 2015, respectively, securing the completion of certain improvements. Habitat had no outstanding borrowings associated with these letters of credit at June 30, 2016 and 2015. The letters of credit expire August 2016 through September 2017.

Habitat leases certain office and warehouse space and equipment under leasing arrangements classified as operating leases. Rent expense under such arrangements amounted to \$442,992 and \$439,159 for the years ended June 30, 2016 and 2015, respectively. A summary of future minimum rental payments as of June 30, 2016 is as follows:

<u>Year ending June 30,</u>	
2017	\$ 439,984
2018	97,782
2019	<u>9,367</u>
	<u>\$ 547,133</u>

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

NOTE 18 – IN-KIND CONTRIBUTIONS

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

	<u>2016</u>	<u>2015</u>
Building supplies and home appliances	\$ 265,474	\$ 288,365
Donated services	<u>-</u>	<u>8,498</u>
	<u>\$ 265,474</u>	<u>\$ 296,863</u>

Approximately 7,100 and 7,000 individuals contributed significant amounts of time to Habitat's activities during the years ended June 30, 2016 and 2015, respectively. The financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by accounting principles generally accepted in the United States of America.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 19 – THE HOUSING FUND, INC. COMMUNITY DEVELOPMENT BLOCK GRANT

Habitat entered into a grant and loan agreement with The Housing Fund, Inc. to acquire and rehabilitate homes which are located in areas that were impacted by the May 2010 floods in Nashville. The grant funds are provided by a Community Development Block Grant. Total funds available to Habitat under the agreement are not to exceed \$3,000,000 for Phase I. 70% of the funds received are be in the form of a grant with the remaining 30% repayable under a 10 year note payable at 0% interest. Acquisition of properties must be approved by The Housing Fund, Inc. prior to purchase. In 2015, Phase II of this grant and loan agreement with The Housing Fund, Inc. began which allows for funds not to exceed \$2,331,590. 60% of the funds received are in the form of a grant with the remaining 40% payable under a 15 year note payable at 0% interest. \$250,000 of Phase II funds may be used to complete the rehabilitation of homes acquired under the Phase I. Five and ten homes were transferred to qualified families during the years ended June 30, 2016 and 2015, respectively. Another nine and eight homes were under renovation at June 30, 2016 and 2015, respectively.

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

	<u>2016</u>	<u>2015</u>
Grants receivable	\$ -	\$ 42,277
Construction-in-progress - rehabilitation	\$ 1,258,057	\$ 976,829
Deferred revenue	\$ 647,074	\$ 563,009
Notes payable	\$ 1,323,966	\$ 1,090,073
Grant income	\$ 553,064	\$ 1,162,525

NOTE 20 – RETIREMENT PLAN

Habitat has a defined contribution retirement plan for its employees, which was established as a Simple IRA. As described in the plan document, substantially all full time employees are eligible to participate in the plan. Discretionary contributions may be made at the option of the board of directors.

NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

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

Supplemental Cash Flow Information

	<u>2016</u>	<u>2015</u>
Interest paid	<u>\$ 59,512</u>	<u>\$ 56,100</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION (Continued)

Supplemental Schedule of Non-Cash Investing and Financing Activities

	2016	2015
Issuance of non-interest bearing mortgage loans	\$ 4,604,057	\$ 6,329,400
Discount on non-interest bearing mortgage loans	(2,058,206)	(2,851,643)
Transfers to homeowners subject to non-interest bearing mortgage loans	\$ 2,545,851	\$ 3,477,757
Loans transferred to real estate held for sale	\$ 136,328	\$ 438,669
Additions to construction-in-progress - rehabilitation through deferred revenue and issuance of notes payable	\$ 726,208	\$ 610,017
Donated lots included in deferred revenue	\$ -	\$ 108,000

NOTE 22 – RELATED PARTIES

At June 30, 2016 and 2015, Habitat owed notes payable, net of discounts, totaling approximately \$3,049,000 and \$2,465,000, respectively, to financial institutions that have four executives that serve on Habitat’s board of directors.

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

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2016 and 2015, Habitat contributed \$60,406 and \$68,993, respectively, to Habitat International. At June 30, 2016 and 2015, the accompanying statements of financial position included title payable to Habitat International of \$2,976 and \$26,940, respectively.

Habitat has received Self-Help Homeownership Opportunity Program (“SHOP”) funds from Habitat International. 75% of the funds received were in the form of a grant with the remaining 25% repayable under non-interest bearing four year notes payable. During the years ended June 30, 2016 and 2015, Habitat was granted \$272,443 and \$406,362, respectively, of SHOP funds of which \$52,672 and \$0 is owed at June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, the balances of the loans totaled \$438,136 and \$546,343, respectively.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 2016 and 2015

NOTE 23 – REAL ESTATE PURCHASE

Habitat purchased a 65,000 square-foot building on 5 acres in July 2016 for \$4,000,000. Habitat plans to consolidate all Davidson County operations there by fall 2017, including its ReStores, warehouses and offices. In addition to the acquisition price, Habitat plans to spend approximately \$4,000,000 more on repairs and renovations to the building. A local bank has provided a financing commitment for 80% of the project up to approximately \$8,000,000 at an interest rate of 4% below prime for a 7-year term with 20-year amortization. Habitat will then directly fund from cash 20% of the project up to the financing limit and any excess cost above that level. Habitat is conducting a limited capital campaign working with several select donors with the target of raising \$1,600,000 to support this project.