HABITAT FOR HUMANITY OF GREATER NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2020 and 2019

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 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.

Emphasis of Matter

As discussed in Note 21, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction in public support and resources caused by COVID-19 could negatively affect support and revenue and have other material adverse effects on Habitat for Humanity of Greater Nashville. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
September 23, 2020

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2020 AND 2019

	2020	2019
ASSETS		
Cash and cash equivalents, including escrow accounts of $670,691 and $637,865, respectively	$ 9,718,845	$ 6,302,060
Grants receivable	1,053,003	794,000
Sponsor and other receivables, net of allowance of $71,043 and $63,624, respectively	190,899	515,314
Inventory - ReStores and other	615,555	675,158
Real estate held for sale	-	162,035
Construction-in-progress - new homes	1,338,307	2,102,498
Property and equipment, net	8,139,533	8,400,509
Land held for development	3,287,812	3,687,144
Mortgage notes receivable, net of discounts of $25,963,251 and $24,544,835, respectively	33,518,169	31,473,983
New Markets Tax Credit ("NMTC") intangible assets, net	193,773	104,064
NMTC joint venture investment	2,313,211	2,781,507
NMTC joint venture cash	92,206	52,883
Other assets	382,573	475,662
Total Assets	$ 60,843,886	$ 57,526,817
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$ 768,895	$ 986,793
Deferred revenue	725,523	732,391
Escrow accounts	650,847	619,411
Paycheck Protection Program loan	746,625	-
Notes payable, secured by mortgages, net of unamortized discount	17,904,847	17,264,029
Note payable, secured by Harding Place property	3,447,595	3,752,714
Notes payable, unsecured	495,462	415,652
NMTC joint venture note payable, net of issuance costs	3,107,111	3,530,289
Unearned revenue on mortgage loans	3,897,647	3,992,894
Total Liabilities	31,744,552	31,294,173
Net Assets:		
Net assets without donor restrictions	14,186,403	11,172,374
Net assets with donor restrictions	14,912,931	15,060,270
Total Net Assets	29,099,334	26,232,644
Total Liabilities and Net Assets	$ 60,843,886	$ 57,526,817

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2019 Total**
Support and Revenue:				
Transfers to homeowners	$ 7,521,500	$ -	$ 7,521,500	$ 6,385,400
Grant income	5,484,507	-	5,484,507	4,625,165
Contributions	1,809,586	540,768	2,350,354	2,994,017
ReStore sales	2,096,395	-	2,096,395	2,372,264
Mortgage loan discount amortization	1,526,858	-	1,526,858	1,466,743
Interest contributions	-	1,518,676	1,518,676	1,398,397
Other income	588,121	-	588,121	392,031
In-kind contributions	330,489	-	330,489	175,408
Forgiveness of debt	299,867	-	299,867	-
Interest income	55,680	-	55,680	47,939
NMTC investment income	12,074	-	12,074	50,551
Gain on real estate held for sale	9,461	-	9,461	49,639
	19,734,538	2,059,444	21,793,982	19,957,554
Net assets released from restrictions	2,206,783	(2,206,783)	-	-
Total Support and Revenue	21,941,321	(147,339)	21,793,982	19,957,554
Expenses:				
Program services	16,374,995	-	16,374,995	14,223,268
Supporting services	2,552,297	-	2,552,297	2,292,071
Total Expenses	18,927,292	-	18,927,292	16,515,339
Change in net assets	3,014,029	(147,339)	2,866,690	3,442,215
Net assets, beginning of year	11,172,374	15,060,270	26,232,644	22,790,429
Net assets, end of year	$ 14,186,403	$ 14,912,931	$ 29,099,334	$ 26,232,644

HABITAT FOR HUMANITY OF GREATER NASHVILLE

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2019 (WITH COMPARATIVE TOTALS FOR 2018)

	2019			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2018 Total**
Support and Revenue:				
Transfers to homeowners	$ 6,385,400	$ -	$ 6,385,400	$ 5,597,454
Grant income	4,625,165	-	4,625,165	2,463,611
Contributions	609,250	2,384,767	2,994,017	2,843,427
ReStore sales	2,372,264	-	2,372,264	2,273,702
Mortgage loan discount amortization	1,466,743	-	1,466,743	1,109,873
Interest contributions	-	1,398,397	1,398,397	1,912,462
In-kind contributions	175,408	-	175,408	204,291
Other income	392,031	-	392,031	182,612
Gain on real estate held for sale	49,639	-	49,639	423,057
NMTC investment income	50,551	-	50,551	39,115
Interest income	47,939	-	47,939	10,437
	16,174,390	3,783,164	19,957,554	17,060,041
Net assets released from restrictions	2,007,958	(2,007,958)	-	-
Total Support and Revenue	18,182,348	1,775,206	19,957,554	17,060,041
Expenses:				
Program services	14,223,268	-	14,223,268	12,380,658
Supporting services	2,292,071	-	2,292,071	2,051,556
Total Expenses	16,515,339	-	16,515,339	14,432,214
Change in net assets	1,667,009	1,775,206	3,442,215	2,627,827
Net assets, beginning of year	9,505,365	13,285,064	22,790,429	20,162,602
Net assets, end of year	$ 11,172,374	$ 15,060,270	$ 26,232,644	$ 22,790,429

HABITAT FOR HUMANITY OF GREATER NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Construction costs - new homes	$ 7,257,000	$ -	$ -	$ -	$ 7,257,000	$ -	$ -	$ -	$ 7,257,000
Salaries and related expenses	844,968	808,921	-	1,265,769	2,919,658	958,617	455,599	1,414,216	4,333,874
Mortgage discounts	-	-	3,115,212	-	3,115,212	-	-	-	3,115,212
Interest and discount amortization	858,301	3,530	-	14,708	876,539	4,412	26,464	30,876	907,415
Depreciation	87,291	32,982	-	169,628	289,901	45,396	16,771	62,167	352,068
Down payment assistance	-	325,143	-	-	325,143	-	-	-	325,143
Office expenses	48,437	40,346	-	145,972	234,755	60,544	23,056	83,600	318,355
Travel, meals, and entertainment	7,719	7,259	-	12,890	27,868	249,620	13,379	262,999	290,867
Repairs and maintenance	207,803	2,767	-	19,162	229,732	3,815	1,259	5,074	234,806
Other	59,525	23,220	-	9,852	92,597	91,723	38,177	129,900	222,497
Small tools and equipment	125,496	-	-	81,151	206,647	13,238	-	13,238	219,885
Legal and professional	64,112	21,502	-	716	86,330	24,375	100,799	125,174	211,504
Redevelopment costs	183,782	-	-	-	183,782	-	-	-	183,782
Lease expense	48,425	8,856	-	75,767	133,048	14,479	2,426	16,905	149,953
Printing and public relations	50	5,422	-	4,388	9,860	129,239	506	129,745	139,605
Taxes and insurance	38,267	15,816	-	47,904	101,987	17,676	6,518	24,194	126,181
Recruiting and training	8,410	2,218	-	12,874	23,502	58,336	20,324	78,660	102,162
Tithe to Habitat International	111,998	-	-	-	111,998	-	-	-	111,998
Bank and credit card fees	33,902	-	-	34,434	68,336	7,213	9,426	16,639	84,975
Vehicle expenses	25,891	-	-	32,029	57,920	1,526	-	1,526	59,446
Sponsor and volunteer appreciation	9,511	434	-	1,638	11,583	55,520	172	55,692	67,275
Advertising	1,335	2,481	-	7,781	11,597	29,460	219	29,679	41,276
NMTC amortization	-	-	-	-	-	-	36,655	36,655	36,655
Special events	-	-	-	-	-	35,358	-	35,358	35,358
	$ 10,022,223	$ 1,300,897	$ 3,115,212	$ 1,936,663	$ 16,374,995	$ 1,800,547	$ 751,750	$ 2,552,297	$ 18,927,292

HABITAT FOR HUMANITY OF GREATER NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2019

	Program Services					Supporting Services			
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Construction costs - new homes	$ 5,942,923	$ -	$ -	$ -	$ 5,942,923	$ -	$ -	$ -	$ 5,942,923
Salaries and related expenses	886,041	722,138	-	1,220,256	2,828,435	939,151	485,308	1,424,459	4,252,894
Mortgage discounts	-	-	2,798,925	-	2,798,925	-	-	-	2,798,925
Interest and discount amortization	935,091	6,191	-	25,796	967,078	8,708	45,337	54,045	1,021,123
Depreciation	84,693	32,007	-	176,197	292,897	45,973	16,905	62,878	355,775
Office expenses	50,104	41,858	-	142,257	234,219	54,085	25,339	79,424	313,643
Legal and professional	37,392	54,857	-	1,687	93,936	11,675	101,272	112,947	206,883
Repairs and maintenance	182,627	1,380	-	11,244	195,251	4,040	621	4,661	199,912
Down payment assistance	-	179,998	-	-	179,998	-	-	-	179,998
Travel, meals, and entertainment	5,971	10,157	-	10,437	26,565	96,622	10,424	107,046	133,611
Lease expense	9,511	8,129	-	101,348	118,988	11,315	2,374	13,689	132,677
Small tools and equipment	42,785	359	-	84,045	127,189	2,038	23	2,061	129,250
Taxes and insurance	35,915	12,946	-	45,563	94,424	16,910	6,299	23,209	117,633
Printing and public relations	515	16,540	-	3,022	20,077	95,424	316	95,740	115,817
Recruiting and training	4,576	2,773	-	15,443	22,792	65,345	22,561	87,906	110,698
Other	9,553	38,373	-	5,881	53,807	6,291	41,522	47,813	101,620
Tithe to Habitat International	88,005	-	-	-	88,005	-	-	-	88,005
Bank and credit card fees	19,913	-	-	39,280	59,193	10,369	9,875	20,244	79,437
Special events	-	-	-	-	-	72,707	-	72,707	72,707
Vehicle expenses	35,293	-	-	19,914	55,207	2,836	-	2,836	58,043
Sponsor and volunteer appreciation	7,886	104	-	777	8,767	32,614	50	32,664	41,431
Advertising	1,180	2,878	-	9,539	13,597	20,925	86	21,011	34,608
NMTC amortization	-	-	-	-	-	-	26,731	26,731	26,731
Deconstruction	-	-	-	995	995	-	-	-	995
	$ 8,379,974	$ 1,130,688	$ 2,798,925	$ 1,913,681	$ 14,223,268	$ 1,497,028	$ 795,043	$ 2,292,071	$ 16,515,339

HABITAT FOR HUMANITY OF GREATER NASHVILLE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$ 2,866,690	$ 3,442,215
Adjustments to reconcile change in net assets		
to net cash flows from operating activities:		
(Gain) loss on disposal of property and equipment	(800)	9,654
Interest contributions	(1,518,676)	(1,398,397)
Transfers to homeowners	(4,079,790)	(3,228,277)
Depreciation and amortization	373,168	380,807
Bad debt expense	10,639	-
Gain on real estate held for sale	(9,461)	(49,639)
Mortgage loan discount amortization	(1,526,858)	(1,466,743)
Amortization of discount on notes payable and issuance costs	882,640	943,881
NMTC investment income allocation	(12,074)	(50,551)
Gain on cancellation of NMTC financing	(299,867)	-
Changes in operating assets and liabilities:		
Grants receivable	(259,003)	(486,500)
Sponsor and other receivables	313,776	(171,507)
Construction-in-progress - new homes	764,191	(1,229,541)
Land held for development	399,332	(1,687,500)
Inventory - ReStores and other	59,603	203,546
Other assets	93,089	(26,243)
Accounts payable and accrued expenses	(217,898)	586,250
Deferred revenue	(6,868)	65,391
Escrow accounts	31,436	70,972
Net cash flows from operating activities	(2,136,731)	(4,092,182)
Cash flows from investing activities:		
Improvements to real estate held for sale	(2,105)	(33,642)
Purchases of property and equipment	(91,092)	(321,887)
Proceeds from disposal of property	174,401	299,482
Mortgage payments received	3,467,215	3,061,187
NMTC joint venture investment	(1,111,837)	-
Acquisition of NMTC intangible assets	(110,809)	-
NMTC joint venture investment net distribution	12,074	26,375
Net cash flows from investing activities	2,337,847	3,031,515

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
Cash flows from financing activities:		
Proceeds from issuance of PPP Loan	$ 746,625	$ -
Proceeds from issuance of notes payable	3,489,898	3,493,530
Proceeds from NMTC note payable	1,521,250	-
Cash paid for debt issuance costs	(82,986)	-
Repayments on notes payable	(2,419,795)	(2,721,096)
Net cash flows from financing activities	3,254,992	772,434
Net increase (decrease) in cash and cash equivalents	3,456,108	(288,233)
Cash, cash equivalents and restricted cash, beginning of year	6,354,943	6,643,176
Cash, cash equivalents and restricted cash, end of year	$ 9,811,051	$ 6,354,943

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

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

> *Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat'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 Habitat or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent unamortized discount on notes payable, contributions receivable and amounts available for programs.

Contributions – Contributions are recognized when the donor makes a promise to give to Habitat that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 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.

Note 2—Summary of significant accounting policies (continued)

Liquidity – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

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

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

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

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

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

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

Deferred Revenue – Deferred revenue consists of deposits received on conditional promises to give from sponsors of future home building and totaled $725,523 and $732,391 at June 30, 2020 and 2019, respectively.

Note 2—Summary of significant accounting policies (continued)

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

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

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

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

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

Program Services – Program services include construction, ReStore operations, homeowner support, and educational ministries, and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of new homes transferred, which have an average cost of $168,767 and $156,393 for the years ended June 30, 2020 and 2019, respectively.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled $41,276 and $34,608 for the years ended June 30, 2020 and 2019, respectively.

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

Functional Allocation of Expenses – The costs of providing program and supporting services have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages expenses which was allocated based on time and effort.

Recently Adopted Accounting Pronouncements – In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. Habitat evaluated the new standard and determined that the accounting standard did not require a change to Habitat's practices for recording contributions.

Note 2—Summary of significant accounting policies (continued)

In November 2016, FASB issued accounting standard ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard was adopted for the year ended June 30, 2020.

Accounting Policies for Future Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for Habitat for the year ending June 30, 2021. Habitat is currently evaluating the effect of the implementation of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2022. Habitat is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – Habitat evaluated subsequent events through September 23, 2020, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 3—Liquidity and availability

Habitat regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Habitat considers all expenditures related to its ongoing activities of bringing people together to build homes, communities, and hope, as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	2020	2019
Financial assets:		
Cash and cash equivalents, less escrow accounts	$ 9,048,154	$ 5,664,195
Grants receivable due in one year	1,053,003	794,000
Sponsor and other receivables	175,533	485,314
Total financial assets, at year-end	10,276,690	6,943,509
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	(1,019,427)	(1,832,240)
Financial assets available to meet cash needs for general expenditures within one year	$ 9,257,263	$ 5,111,269

Note 4—Grants receivable

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

	2020	2019
Metropolitan Development and Housing Agency	$ 659,191	$ 92,750
Federal Home Loan Bank	361,250	701,250
Foundations and other	32,562	-
	$ 1,053,003	$ 794,000

Note 5—Unconditional promises to give

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

	2020	2019
Unconditional promises to give	$ 261,942	$ 578,938
Less allowance for uncollectible contributions	(71,043)	(63,624)
Net unconditional promises to give	190,899	515,314
Less amounts receivable in less than one year, net	(180,899)	(485,314)
Receivable in one to five years, net	$ 10,000	$ 30,000

Note 6—Construction-in-progress – new homes

A summary of new home construction activity for 2020 is as follows:

	Number	Costs
New homes under construction, June 30, 2019	22	$ 2,102,498
Additional costs incurred on beginning inventory		1,088,670
New homes started in 2020	34	5,404,139
New homes closed in 2020	(43)	(7,257,000)
New homes under construction, June 30, 2020	13	$ 1,338,307

Note 7—Property and equipment

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

	2020	2019
Land and land improvements	$ 2,897,950	$ 2,897,950
Buildings	5,496,675	5,496,675
Office equipment	363,976	308,609
Leasehold improvements	57,502	57,502
Vehicles and trailers	524,476	516,458
Other	350,065	364,911
	9,690,644	9,642,105
Less accumulated depreciation	(1,551,111)	(1,241,596)
	$ 8,139,533	$ 8,400,509

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:

	2020	2019
Hamilton Hills	$ 1,138,567	$ 1,063,650
Village by the Creek	711,144	-
Park Preserve	634,959	1,944,739
Ewing Drive	451,701	334,286
Wilson County	156,649	101,729
Dickson County	108,227	125,890
Cheatham County	86,565	116,850
	$ 3,287,812	$ 3,687,144

Note 9—Mortgage notes receivable

At June 30, 2020 and 2019, Habitat holds mortgage notes receivable totaling $59,481,420 and $56,018,818, respectively, at face value generally with original maturities of 30 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. The notes have been discounted at various interest rates ranging from 4.5% to 9% over the lives of the mortgages. Mortgages are reported net of unamortized discount.

Mortgage notes receivable and the related discount are summarized as follows at June 30:

	2020	2019
First mortgages	$ 44,678,431	$ 42,163,826
Second mortgages	12,810,533	12,355,244
Third mortgages	1,992,456	1,499,748
	59,481,420	56,018,818
Less unamortized discount	(25,963,251)	(24,544,835)
	$ 33,518,169	$ 31,473,983

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

	2020	2019
31 - 60 days past due	$ 242,349	$ 217,506
61 - 90 days past due	129,084	43,606
Greater than 90 days past due	26,140	154,536
Total past due	397,573	415,648
Current	59,083,847	55,603,170
	$ 59,481,420	$ 56,018,818

Principal payments due on mortgage notes receivable are as follows:

Years Ending June 30,	
2021	$ 2,130,980
2022	2,330,836
2023	2,333,226
2024	2,343,030
2025	2,346,731
Thereafter (including non-paying second and third mortgages of $5,295,203)	47,996,617
Notes receivable at face value	59,481,420
Less unamortized discount	(25,963,251)
	$ 33,518,169

Note 10—NMTC intangible assets

Habitat incurred $44,136 in guarantor fees related to its New Markets Tax Credit ("NMTC") financing in August 2012, to be amortized over seven years, the period to which the guarantee applies. Habitat incurred $27,125 in guarantor fees, $13,333 in audit fees, $64,400 in asset management fees, and $26,250 in consulting fees related to its NMTC financing in December 2017, to be amortized over seven years, the period to which the assets apply. Habitat incurred $13,971 in qualified active low income community business ("QALICB") services, $20,000 in audit fees, $53,554 in asset management fees, and $23,284 in consulting fees related to its NMTC financing in June 2020, to be amortized over seven years, the period to which the assets apply. The intangible assets represent fees paid to the third-party administrator in the transaction, who is responsible for ensuring that Habitat performs and complies with all aspects of the transaction requirements.

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

	2020	2019
QALICB guarantor fee	$ 41,096	$ 71,261
CDE audit fee	33,333	13,333
Asset management fee	117,954	64,400
Consulting fee	49,534	26,250
Total intangible assets	241,917	175,244
Accumulated NMTC amortization	(48,144)	(71,180)
NMTC intangible assets, net	$ 193,773	$ 104,064

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

The investment in joint venture is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

In September 2019, the investment fund exercised a put option, resulting in CCML holding the debt, thereby releasing Habitat from any future obligation outstanding under the promissory note. Upon release from future obligations under the promissory note, Habitat recognized $299,867 of debt forgiveness income included in the consolidated statement of activities and changes in net assets. As of June 30, 2020, there was no outstanding amount due on this promissory note. (see Note 13).

Note 10—NMTC intangible assets (continued)

Upon forgiveness of debt, the value of CCML and Habitat's corresponding investment, was reduced to $-0-. The activity of the NMTC joint venture investment during the years ended June 30 is as follows:

	2020	2019
Beginning balance	$ 1,580,133	$ 1,555,320
Distributions received	(1,880,000)	(14,301)
Share of income	299,867	39,114
Ending balance	$ -	$ 1,580,133

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

The investment in partnership is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

The activity of the NMTC joint venture investment during the year ended June 30 is as follows:

	2020	2019
Beginning balance	$ 1,201,374	$ 1,202,011
Capital contributed	-	-
Distributions received	(12,074)	(12,074)
Share of income	12,074	11,437
Ending balance	$ 1,201,374	$ 1,201,374

In June 2020, Habitat invested, along with three other Habitat affiliates, in a partnership, HHL, with 25% ownership to take advantage of NMTC financing. Habitat invested a combination of cash and construction in progress totaling $1,111,837, enabling it to secure a 20-year loan in the amount of $1,521,250 payable to HCF, a community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

The investment in partnership is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

Note 10—NMTC intangible assets (continued)

The activity of the NMTC joint venture investment during the year ended June 30 is as follows:

	2020	2019
Beginning balance	$ -	$ -
Capital contributed	1,111,837	-
Distributions received	-	-
Share of income	-	-
Ending balance	$ 1,111,837	$ -

The major assets of CCML Leverage II, LLC, Harbor Habitat Leverage II, LLC and Harbor Habitat Leverage III, LLC at June 30 are as follows:

	June 30, 2020		June 30, 2019	
	Harbor Habitat Leverage II, LLC	Harbor Habitat Leverage III, LLC	CCML Leverage II, LLC	Harbor Habitat Leverage II, LLC
Assets:				
Notes receivable	$ 7,244,463	$ 4,447,352	$ 15,735,842	$ 7,244,463
Other assets	-	-	1,740,831	-
Total assets	$ 7,244,463	$ 4,447,352	$ 17,476,673	$ 7,244,463

At June 30, 2020, both Harbor Habitat Leverage II, LLC and Harbor Habitat Leverage III, LLC had no liabilities and minimal activity. At June 30, 2019, both CCML Leverage II, LLC and Harbor Habitat Leverage II, LLC had no liabilities and minimal activity.

Note 11—Notes payable

	2020	2019
Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in monthly principal installments totaling $95,863 (at June 30, 2020) with varying maturities through March 2050, secured by non-interest bearing first mortgages held by Habitat, with a discounted value of $12,614,170. The notes have an undiscounted balance outstanding of $23,257,895 and $22,097,696 at June 30, 2020 and 2019, 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 $1,174,049 and $743,283 has been recognized in 2020 and 2019, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 and 2019 amounted to $10,643,725 and $10,096,105, respectively.	$ 12,614,170	$ 12,001,591

Note 11—Notes payable (continued)

	2020	2019
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $14,991, maturing at various times through December 2045. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding of $3,347,053 and $3,592,338 at June 30, 2020 and 2019, respectively. Contribution revenue of $1,959,239 was recognized in 2016 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 and 2019 amounted to $1,332,114 and $1,423,494, respectively.	$ 2,014,939	$ 2,168,844
Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from $75 to $1,861 through December 2025.	405,462	325,652
Notes payable to The Housing Fund, Inc. secured by certain real property, non-interest bearing, payable in 120 to 180 equal monthly principal installments of $244 to $617, through June 2030. The notes have been discounted using a rate of 4.5%. Contribution revenue of $104,819 was recognized in 2018 to present the difference between the present value of the notes payable and their undiscounted balances of $1,074,357 and $1,295,652, at June 30, 2020 and 2019, respectively. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 and 2019 amounted to $223,329 and $259,303, respectively.	851,028	1,036,349
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $4,742, maturing at various times through August 2049. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 and 2019 of $1,247,736 and $1,057,852, respectively. Contribution revenue of $110,382 and $237,805 was recognized in 2020 and 2019, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 and 2019 amounted to $462,251 and $406,393, respectively.	785,485	651,459

Note 11—Notes payable (continued)

	2020	2019
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $2,961, maturing at various times through July 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 and 2019 of $917,930 and $953,461, respectively. Contribution revenue of $440,844 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 and 2019 amounted to $400,743 and $416,266, respectively.	$ 517,187	$ 537,195
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $1,757, maturing at various times through June 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 and 2019 of $501,768 and $522,847, respectively. Contribution revenue of $231,484 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 and 2019 amounted to $209,417 and $218,116, respectively.	292,351	304,731
Note payable to bank, unsecured at a variable interest rate of 4% below prime (0.0% at June 30, 2020), maturing in December 2020.	90,000	90,000
Note payable to bank, secured by certain real property with a net book value of $7,482,325 at June 30, 2020, at a variable interest rate of 4% below prime (0.0% at June 30, 2020), with a 20-year amortization maturing in October 2023.	3,447,595	3,752,714
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $3,052, maturing at various times through November 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 and 2019 of $935,589 and $972,214, respectively. Contribution revenue of $417,299 was recognized in 2019 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 and 2019 amounted to $393,018 and $408,354, respectively.	542,571	563,860

Note 11—Notes payable (continued)

	2020	2019
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $1,497, maturing at various times through June 2049. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 of $516,023. Contribution revenue of $234,245 was recognized in 2020 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $228,907.	$ 287,116	$ -
In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the ''CARES Act''), Habitat applied for and received a Paycheck Protection Program loan totaling $746,625 during April 2020 based on the federal government's payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent Habitat incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan not forgiven has a term of two years with an interest rate of 1%.	746,625	-
	$ 22,594,529	$ 21,432,395

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

	2020	2019
Notes payable, secured by mortgages, net of unamortized discount	$ 17,904,847	$ 17,264,029
Note payable, secured by Harding Place property	3,447,595	3,752,714
Notes payable, unsecured	495,462	415,652
Paycheck Protection Program loan	746,625	-
	$ 22,594,529	$ 21,432,395

Future principal maturities of notes payable are as follows:

Years Ending June 30,	
2021	$ 2,130,114
2022	2,764,358
2023	2,010,025
2024	4,193,035
2025	1,561,481
Thereafter	23,865,276
Total principal maturities	36,524,289
Debt issuance costs	(36,256)
Amounts representing imputed interest	(13,893,504)
	$ 22,594,529

Note 12—Line of credit

Habitat has a $950,000 line of credit agreement with a bank bearing interest at the bank's index rate plus 1% (4.5% at June 30, 2020). The line of credit is secured by real estate. The line of credit has a maturity date of January 2021. At June 30, 2020 and 2019, no borrowings were outstanding under the line of credit agreement.

Note 13—NMTC joint venture note payable

Habitat had a loan payable to CCM, 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 were to commence on November 10, 2020, due semi-annually to then fully amortize the principal balance over an eight-year period, maturing May 10, 2028.

The loan was secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt was associated with a put option feature under an option agreement between the joint venture's related parties that was expected to be exercised in 2020 that extinguished the liability from Habitat. The balance of the note payable at June 30, 2019 was $1,880,000, net of issuance costs of $15,555. Debt issuance costs of $27,151 were being amortized to interest expense over the 15-year term of the loan. In September 2019, the investment fund exercised a put option, resulting in CCML holding the debt, thereby releasing Habitat from any future obligation outstanding under the promissory note. Upon release from future obligations under the promissory note, Habitat recognized $299,867 of debt forgiveness income included in the statements of activities. As of June 30, 2020, there was no outstanding amount due on this promissory note.

Simultaneous with these transactions, CCML entered into an option agreement (the "Agreement") with U.S. Bancorp Community Development Corporation ("USBCDC"), the federal tax credit investor, who is the sole-member of CCM CD 27 Investment Fund, LLC (the "Fund"), and the upstream effective owner of CCM. Under the terms of the Agreement, USBCDC exercised its put option on September 15, 2019. Under the terms of the Agreement, CCML purchased the ownership interest of the 2012 Fund. Exercise of the option effectively extinguished Habitat's outstanding debt owed to the 2009 Fund and resulted in approximately $300,000 in debt forgiveness income during 2020.

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

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership's related parties that is expected to be exercised in 2025 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2020 and 2019 is $1,715,000, net of issuance costs of $46,499 and $49,156, respectively. Debt issuance costs of $53,253 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the sole-member of Twain Investment Fund 296, LLC (the "Twain Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC is expected to put its ownership interest into the Twain Fund for $1,000, during the six-month put period beginning December 20, 2024.

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

Note 13—NMTC joint venture note payable (continued)

Pursuant to the agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the 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 HCF.

Habitat has a loan payable to HCF, dated June 4, 2020, as part of a third NMTC transaction. It is a 20-year loan bearing interest at 0.730945% with semi-annual interest-only payments commencing on December 5, 2020, and continuing until June 5, 2027. Principal and interest payments are to commence on December 5, 2027, due semi-annually to then fully amortize the principal balance over a 12-year period, maturing June 3, 2040.

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership's related parties that is expected to be exercised in 2027 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2020 was $1,521,250 net of issuance costs of $82,640. Debt issuance costs of $82,986 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the owner of USBCDC (the "USBCDC Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC Endowment Fund is expected to put its ownership interest in HCF to HHL for $1,000, during the six-month put period beginning December 20, 2024.

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

Pursuant to the agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the 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 HCF.

Note 14—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30:

	2020	2019
Unamortized discount on notes payable	$ 13,893,504	$ 13,228,030
Donor restricted contributions	995,492	1,787,833
Unconditional promises to give, net	23,935	44,407
	$ 14,912,931	$ 15,060,270

Note 15—Concentrations

Habitat maintains its cash in bank accounts that at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Management believes Habitat is not exposed to any significant credit risk on its cash balances. Uninsured balances at June 30, 2020 and 2019 totaled $547,551 and $158,927, respectively.

Note 16—Commitments and contingencies

In connection with the development of Park Preserve, Edison Park, and Hallmark subdivisions, Habitat has obtained letters of credit totaling $2,591,000 and $1,621,000 at June 30, 2020 and 2019, respectively, securing the completion of certain improvements. Habitat had no outstanding borrowings associated with these letters of credit at June 30, 2020 and 2019. The letters of credit expire through April 2021.

Habitat leases certain office and warehouse space and equipment under leasing arrangements classified as operating leases. Rent expense under such arrangements amounted to $149,953 and $132,677 for the years ended June 30, 2020 and 2019, respectively. A summary of future minimum rental payments as of June 30, 2020 is as follows:

Years Ending June 30,	
2021	$ 54,137
2022	7,583
2023	1,794
2024	382
	$ 63,896

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

Note 17—In-kind contributions

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

	2020	**2019**
Building supplies and home appliances	$ 330,489	$ 175,408

Approximately 5,600 and 7,700 individuals contributed significant amounts of time to Habitat’s activities during the years ended June 30, 2020 and 2019, respectively. The financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by U.S. GAAP.

Note 18—Retirement plan

Habitat has a defined contribution retirement plan for its employees, which was established as a Simple IRA. As described in the plan document, substantially all full-time employees are eligible to participate in the plan. Discretionary contributions may be made at the option of the Board of Directors. Habitat recognized retirement plan expense of $72,949 and $69,442 for the years ended June 30, 2020 and 2019, respectively.

Note 19—Supplemental cash flow information

The following is supplemental cash flow information required by U.S. GAAP.

Supplemental Cash Flow Information:

	2020	2019
Interest paid	$ 25,315	$ 52,561

Supplemental Schedule of Noncash Investing and Financing Activities:

	2020	2019
Issuance of non-interest bearing mortgage loans	$ 7,195,002	$ 6,027,202
Discount on non-interest bearing mortgage loans	(3,115,212)	(2,798,925)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 4,079,790	$ 3,228,277
Loans transferred to real estate held for sale	$ -	$ 91,914

Note 20—Related parties

At June 30, 2020 and 2019, Habitat owed notes payable, net of discounts, totaling approximately $7,084,645 and $6,663,017, respectively, to financial institutions which have executives who serve on Habitat's Board of Directors.

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

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2020 and 2019, Habitat contributed $111,998 and $88,005, respectively, to Habitat International.

Habitat has received Self-Help Homeownership Opportunity Program funds from Habitat International. Of the funds received, 75% 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, 2020 and 2019, Habitat was granted $463,800 and $576,704, respectively. At June 30, 2020 and 2019, the balances of the loans totaled $405,462 and $325,652, respectively.

Note 21—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to Habitat, its performance, and its financial results.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

As of and for the Year Ended June 30, 2020

And Report of Independent Auditor

Cherry Bekaert LLP
CPAs & Advisors

HABITAT FOR HUMANITY OF GREATER NASHVILLE

TABLE OF CONTENTS

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

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

We have audited the accompanying financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization), which comprise the statements of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 2020, on our consideration of Habitat for Humanity of Greater Nashville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of Greater Nashville's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater Nashville's internal control over financial reporting and compliance.

Emphasis of Matter

As discussed in Note 21, toward the end of December 2019, an outbreak of a novel strain of coronavirus ("COVID-19") emerged globally. During 2020, there have been various mandates and/or requests from federal, state, and local authorities resulting in closures of non-essential businesses. Although it is not possible to reliably estimate the length or severity of this outbreak and, hence, its financial impact, any significant reduction in public support and resources caused by COVID-19 could negatively affect support and revenue and have other material adverse effects on Habitat for Humanity of Greater Nashville. Our opinion is not modified with respect to this matter.

Cherry Bekaert LLP

Nashville, Tennessee
September 23, 2020

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FINANCIAL POSITION

JUNE 30, 2020

ASSETS		
Cash and cash equivalents, including escrow accounts of $670,691	$	9,718,845
Grants receivable		1,053,003
Sponsor and other receivables, net of allowance of $71,043		190,899
Inventory - ReStores and other		615,555
Real estate held for sale		-
Construction-in-progress - new homes		1,338,307
Property and equipment, net		8,139,533
Land held for development		3,287,812
Mortgage notes receivable, net of discounts of $25,963,251		33,518,169
New Markets Tax Credit ("NMTC") intangible assets, net		193,773
NMTC joint venture investment		2,313,211
NMTC joint venture cash		92,206
Other assets		382,573
Total Assets	$	60,843,886
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	$	768,895
Deferred revenue		725,523
Escrow accounts		650,847
Paycheck Protection Program loan		746,625
Notes payable, secured by mortgages, net of unamortized discount		17,904,847
Note payable, secured by Harding Place property		3,447,595
Notes payable, unsecured		495,462
NMTC joint venture note payable, net of issuance costs		3,107,111
Unearned revenue on mortgage loans		3,897,647
Total Liabilities		31,744,552
Net Assets:		
Net assets without donor restrictions		14,186,403
Net assets with donor restrictions		14,912,931
Total Net Assets		29,099,334
Total Liabilities and Net Assets	$	60,843,886

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020 (WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Total**
Support and Revenue:				
Transfers to homeowners	$ 7,521,500	$ -	$ 7,521,500	$ 6,385,400
Grant income	5,484,507	-	5,484,507	4,625,165
Contributions	1,809,586	540,768	2,350,354	2,994,017
ReStore sales	2,096,395	-	2,096,395	2,372,264
Mortgage loan discount amortization	1,526,858	-	1,526,858	1,466,743
Interest contributions	-	1,518,676	1,518,676	1,398,397
Other income	588,121	-	588,121	392,031
In-kind contributions	330,489	-	330,489	175,408
Forgiveness of debt	299,867	-	299,867	-
Interest income	55,680	-	55,680	47,939
NMTC investment income	12,074	-	12,074	50,551
Gain on real estate held for sale	9,461	-	9,461	49,639
	19,734,538	2,059,444	21,793,982	19,957,554
Net assets released from restrictions	2,206,783	(2,206,783)	-	-
Total Support and Revenue	21,941,321	(147,339)	21,793,982	19,957,554
Expenses:				
Program services	16,374,995	-	16,374,995	14,223,268
Supporting services	2,552,297	-	2,552,297	2,292,071
Total Expenses	18,927,292	-	18,927,292	16,515,339
Change in net assets	3,014,029	(147,339)	2,866,690	3,442,215
Net assets, beginning of year	11,172,374	15,060,270	26,232,644	22,790,429
Net assets, end of year	$ 14,186,403	$ 14,912,931	$ 29,099,334	$ 26,232,644

HABITAT FOR HUMANITY OF GREATER NASHVILLE

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services					Supporting Services			
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	Total
Construction costs - new homes	$ 7,257,000	$ -	$ -	$ -	$ 7,257,000	$ -	$ -	$ -	$ 7,257,000
Salaries and related expenses	844,968	808,921	-	1,265,769	2,919,658	958,617	455,599	1,414,216	4,333,874
Mortgage discounts	-	-	3,115,212	-	3,115,212	-	-	-	3,115,212
Interest and discount amortization	858,301	3,530	-	14,708	876,539	4,412	26,464	30,876	907,415
Depreciation	87,291	32,982	-	169,628	289,901	45,396	16,771	62,167	352,068
Down payment assistance	-	325,143	-	-	325,143	-	-	-	325,143
Office expenses	48,437	40,346	-	145,972	234,755	60,544	23,056	83,600	318,355
Travel, meals, and entertainment	7,719	7,259	-	12,890	27,868	249,620	13,379	262,999	290,867
Repairs and maintenance	207,803	2,767	-	19,162	229,732	3,815	1,259	5,074	234,806
Other	59,525	23,220	-	9,852	92,597	91,723	38,177	129,900	222,497
Small tools and equipment	125,496	-	-	81,151	206,647	13,238	-	13,238	219,885
Legal and professional	64,112	21,502	-	716	86,330	24,375	100,799	125,174	211,504
Redevelopment costs	183,782	-	-	-	183,782	-	-	-	183,782
Lease expense	48,425	8,856	-	75,767	133,048	14,479	2,426	16,905	149,953
Printing and public relations	50	5,422	-	4,388	9,860	129,239	506	129,745	139,605
Taxes and insurance	38,267	15,816	-	47,904	101,987	17,676	6,518	24,194	126,181
Recruiting and training	8,410	2,218	-	12,874	23,502	58,336	20,324	78,660	102,162
Tithe to Habitat International	111,998	-	-	-	111,998	-	-	-	111,998
Bank and credit card fees	33,902	-	-	34,434	68,336	7,213	9,426	16,639	84,975
Vehicle expenses	25,891	-	-	32,029	57,920	1,526	-	1,526	59,446
Sponsor and volunteer appreciation	9,511	434	-	1,638	11,583	55,520	172	55,692	67,275
Advertising	1,335	2,481	-	7,781	11,597	29,460	219	29,679	41,276
NMTC amortization	-	-	-	-	-	-	36,655	36,655	36,655
Special events	-	-	-	-	-	35,358	-	35,358	35,358
	$ 10,022,223	$ 1,300,897	$ 3,115,212	$ 1,936,663	$ 16,374,995	$ 1,800,547	$ 751,750	$ 2,552,297	$ 18,927,292

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30, 2020

Cash flows from operating activities:	
Change in net assets	$ 2,866,690
Adjustments to reconcile change in net assets	
to net cash flows from operating activities:	
(Gain) loss on disposal of property and equipment	(800)
Interest contributions	(1,518,676)
Transfers to homeowners	(4,079,790)
Depreciation and amortization	373,168
Bad debt expense	10,639
Gain on real estate held for sale	(9,461)
Mortgage loan discount amortization	(1,526,858)
Amortization of discount on notes payable and issuance costs	882,640
NMTC investment income allocation	(12,074)
Gain on cancellation of NMTC financing	(299,867)
Changes in operating assets and liabilities:	
Grants receivable	(259,003)
Sponsor and other receivables	313,776
Construction-in-progress - new homes	764,191
Land held for development	399,332
Inventory - ReStores and other	59,603
Other assets	93,089
Accounts payable and accrued expenses	(217,898)
Deferred revenue	(6,868)
Escrow accounts	31,436
Net cash flows from operating activities	(2,136,731)
Cash flows from investing activities:	
Improvements to real estate held for sale	(2,105)
Purchases of property and equipment	(91,092)
Proceeds from disposal of property	174,401
Mortgage payments received	3,467,215
NMTC joint venture investment	(1,111,837)
Acquisition of NMTC intangible assets	(110,809)
NMTC joint venture investment net distribution	12,074
Net cash flows from investing activities	2,337,847

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF CASH FLOWS (CONTINUED)

YEAR ENDED JUNE 30, 2020

Cash flows from financing activities:	
Proceeds from issuance of PPP Loan	$ 746,625
Proceeds from issuance of notes payable	3,489,898
Proceeds from NMTC note payable	1,521,250
Cash paid for debt issuance costs	(82,986)
Repayments on notes payable	(2,419,795)
Net cash flows from financing activities	3,254,992
Net increase (decrease) in cash and cash equivalents	3,456,108
Cash, cash equivalents and restricted cash, beginning of year	6,354,943
Cash, cash equivalents and restricted cash, end of year	$ 9,811,051

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

Financial Statement Presentation – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with standards of accounting and reporting prescribed for not-for-profit organizations. Under these standards, net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat'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 Habitat or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent unamortized discount on notes payable, contributions receivable and amounts available for programs.

Contributions – Contributions are recognized when the donor makes a promise to give to Habitat that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

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

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. 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 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.

Note 2—Summary of significant accounting policies (continued)

Liquidity – Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash and cash equivalents and liabilities are presented according to their maturing resulting in use of cash and cash equivalents.

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

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

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

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

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

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

Deferred Revenue – Deferred revenue consists of deposits received on conditional promises to give from sponsors of future home building and totaled $725,523 at June 30, 2020.

Note 2—Summary of significant accounting policies (continued)

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

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

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

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

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

Program Services – Program services include construction, ReStore operations, homeowner support, and educational ministries, and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of new homes transferred, which have an average cost of $168,767 for the year ended June 30, 2020.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled $41,276 for the year ended June 30, 2020.

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

Functional Allocation of Expenses – The costs of providing program and supporting services have been reported on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages expenses which was allocated based on time and effort.

Recently Adopted Accounting Pronouncements – In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made.* The standard provides guidance on determining whether a transaction should be accounted for as contribution or as an exchange transaction. A primary aspect of this determination is whether the two parties receive and sacrifice commensurate value. The standard also provides guidance on determining whether a contribution is conditional, helping entities better distinguish a donor-imposed condition from a donor-imposed restriction. Habitat evaluated the new standard and determined that the accounting standard did not require a change to Habitat's practices for recording contributions.

Note 2—Summary of significant accounting policies (continued)

In November 2016, FASB issued accounting standard ASU 2016-18, *Statement of Cash Flows: Restricted Cash (Topic 230)*, which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents are included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This standard was adopted for the year ended June 30, 2020.

Accounting Policies for Future Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for Habitat for the year ending June 30, 2021. Habitat is currently evaluating the effect of the implementation of this new standard.

In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2022. Habitat is currently in the process of evaluating the impact of adoption of this ASU on the financial statements.

Subsequent Events – Habitat evaluated subsequent events through September 23, 2020, when these financial statements were available to be issued. Management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

Note 3—Liquidity and availability

Habitat regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Habitat considers all expenditures related to its ongoing activities of bringing people together to build homes, communities, and hope, as well as the conduct of services undertaken to support those activities to be general expenditures. Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30, 2020:

Financial assets:	
Cash and cash equivalents, less escrow accounts	$ 9,048,154
Grants receivable due in one year	1,053,003
Sponsor and other receivables	175,533
Total financial assets, at year-end	10,276,690
Less amounts unavailable for general expenditures within one year, due to:	
Net assets with donor restrictions	(1,019,427)
Financial assets available to meet cash needs for general expenditures within one year	$ 9,257,263

Note 4—Grants receivable

A summary of grants receivable as of June 30, 2020 is as follows:

Metropolitan Development and Housing Agency	$	659,191
Federal Home Loan Bank		361,250
Foundations and other		32,562
	$	1,053,003

Note 5—Unconditional promises to give

Habitat has included unconditional promises to give in sponsor and other receivables. Unconditional promises to give consist of the following at June 30, 2020:

Unconditional promises to give	$	261,942
Less allowance for uncollectible contributions		(71,043)
Net unconditional promises to give		190,899
Less amounts receivable in less than one year, net		(180,899)
Receivable in one to five years, net	$	10,000

Note 6—Construction-in-progress – new homes

A summary of new home construction activity for 2020 is as follows:

	Number		Costs
New homes under construction, June 30, 2019	22	$	2,102,498
Additional costs incurred on beginning inventory			1,088,670
New homes started in 2020	34		5,404,139
New homes closed in 2020	(43)		(7,257,000)
New homes under construction, June 30, 2020	13	$	1,338,307

Note 7—Property and equipment

A summary of property and equipment as of June 30, 2020 is as follows:

Land and land improvements	$ 2,897,950
Buildings	5,496,675
Office equipment	363,976
Leasehold improvements	57,502
Vehicles and trailers	524,476
Other	350,065
	9,690,644
Less accumulated depreciation	(1,551,111)
	$ 8,139,533

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, 2020:

Hamilton Hills	$ 1,138,567
Village by the Creek	711,144
Park Preserve	634,959
Ewing Drive	451,701
Wilson County	156,649
Dickson County	108,227
Cheatham County	86,565
	$ 3,287,812

Note 9—Mortgage notes receivable

At June 30, 2020, Habitat holds mortgage notes receivable totaling $59,481,420, at face value generally with original maturities of 30 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. The notes have been discounted at various interest rates ranging from 4.5% to 9% over the lives of the mortgages. Mortgages are reported net of unamortized discount.

Mortgage notes receivable and the related discount are summarized as follows at June 30, 2020:

First mortgages	$ 44,678,431
Second mortgages	12,810,533
Third mortgages	1,992,456
	59,481,420
Less unamortized discount	(25,963,251)
	$ 33,518,169

Following is a table which includes an aging analysis of the recorded investment of past due mortgage notes receivable as of June 30, 2020:

31 - 60 days past due	$ 242,349
61 - 90 days past due	129,084
Greater than 90 days past due	26,140
Total past due	397,573
Current	59,083,847
	$ 59,481,420

Principal payments due on mortgage notes receivable are as follows:

Years Ending June 30,	
2021	$ 2,130,980
2022	2,330,836
2023	2,333,226
2024	2,343,030
2025	2,346,731
Thereafter (including non-paying second and third mortgages of $5,295,203)	47,996,617
Notes receivable at face value	59,481,420
Less unamortized discount	(25,963,251)
	$ 33,518,169

Note 10—NMTC intangible assets

Habitat incurred $44,136 in guarantor fees related to its New Markets Tax Credit ("NMTC") financing in August 2012, to be amortized over seven years, the period to which the guarantee applies. Habitat incurred $27,125 in guarantor fees, $13,333 in audit fees, $64,400 in asset management fees, and $26,250 in consulting fees related to its NMTC financing in December 2017, to be amortized over seven years, the period to which the assets apply. Habitat incurred $13,971 in qualified active low income community business ("QALICB") services, $20,000 in audit fees, $53,554 in asset management fees, and $23,284 in consulting fees related to its NMTC financing in June 2020, to be amortized over seven years, the period to which the assets apply. The intangible assets represent fees paid to the third-party administrator in the transaction, who is responsible for ensuring that Habitat performs and complies with all aspects of the transaction requirements.

As of June 30, 2020, the balances of NMTC intangible assets and accumulated amortization are as follows:

QALICB guarantor fee	$ 41,096
CDE audit fee	33,333
Asset management fee	117,954
Consulting fee	49,534
Total intangible assets	241,917
Accumulated NMTC amortization	(48,144)
NMTC intangible assets, net	$ 193,773

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

The investment in joint venture is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

In September 2019, the investment fund exercised a put option, resulting in CCML holding the debt, thereby releasing Habitat from any future obligation outstanding under the promissory note. Upon release from future obligations under the promissory note, Habitat recognized $299,867 of debt forgiveness income included in the statement of activities and changes in net assets. As of June 30, 2020, there was no outstanding amount due on this promissory note. (see Note 13).

Note 10—NMTC intangible assets (continued)

Upon forgiveness of debt, the value of CCML and Habitat's corresponding investment, was reduced to $-0-. The activity of the NMTC joint venture investment during the year ended June 30, 2020 is as follows:

Beginning balance	$	1,580,133
Distributions received		(1,880,000)
Share of income		299,867
Ending balance	$	-

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

The investment in partnership is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

The activity of the NMTC joint venture investment during the year ended June 30, 2020 is as follows:

Beginning balance	$	1,201,374
Capital contributed		-
Distributions received		(12,074)
Share of income		12,074
Ending balance	$	1,201,374

In June 2020, Habitat invested, along with three other Habitat affiliates, in a partnership, HHL, with 25% ownership to take advantage of NMTC financing. Habitat invested a combination of cash and construction in progress totaling $1,111,837, enabling it to secure a 20-year loan in the amount of $1,521,250 payable to HCF, a community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents.

The investment in partnership is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses.

Note 10—NMTC intangible assets (continued)

The activity of the NMTC joint venture investment during the year ended June 30, 2020 is as follows:

Beginning balance	$ -
Capital contributed	1,111,837
Distributions received	-
Share of income	-
Ending balance	$ 1,111,837

The major assets of CCML Leverage II, LLC, Harbor Habitat Leverage II, LLC, Harbor Habitat Leverage III, LLC at June 30, 2020 are as follows:

	June 30, 2020	
	Harbor Habitat Leverage II, LLC	Harbor Habitat Leverage III, LLC
Assets:		
Notes receivable	$ 7,244,463	$ 4,447,352
Other assets	-	-
Total assets	$ 7,244,463	$ 4,447,352

At June 30, 2020, both Harbor Habitat Leverage II, LLC and Harbor Habitat Leverage III, LLC had no liabilities and minimal activity. At June 30, 2019, both CCML Leverage II, LLC and Harbor Habitat Leverage II, LLC had no liabilities and minimal activity.

Note 11—Notes payable

Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in monthly principal installments totaling $95,863 (at June 30, 2020) with varying maturities through March 2050, secured by non-interest bearing first mortgages held by Habitat, with a discounted value of $12,614,170. The notes have an undiscounted balance outstanding of $23,257,895 at June 30, 2020. 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 $1,174,049 has been recognized in 2020, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $10,643,725.	$ 12,614,170

Note 11—Notes payable (continued)

Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $14,991, maturing at various times through December 2045. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding of $3,347,053 at June 30, 2020. Contribution revenue of $1,959,239 was recognized in 2016 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $1,332,114.	$ 2,014,939
Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from $75 to $1,861 through December 2025.	405,462
Notes payable to The Housing Fund, Inc. secured by certain real property, non-interest bearing, payable in 120 to 180 equal monthly principal installments of $244 to $617, through June 2030. The notes have been discounted using a rate of 4.5%. Contribution revenue of $104,819 was recognized in 2018 to present the difference between the present value of the notes payable and their undiscounted balances of $1,074,357, at June 30, 2020. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $223,329.	851,028
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $4,742, maturing at various times through August 2049. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 of $1,247,736. Contribution revenue of $110,382 was recognized in 2020, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $462,251.	785,485

Note 11—Notes payable (continued)

Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $2,961, maturing at various times through July 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 of $917,930. Contribution revenue of $440,844 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $400,743.	$	517,187
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $1,757, maturing at various times through June 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 of $501,768. Contribution revenue of $231,484 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $209,417.		292,351
Note payable to bank, unsecured at a variable interest rate of 4% below prime (0.0% at June 30, 2020), maturing in December 2020.		90,000
Note payable to bank, secured by certain real property with a net book value of $7,482,325 at June 30, 2020, at a variable interest rate of 4% below prime (0.0% at June 30, 2020), with a 20-year amortization maturing in October 2023.		3,447,595
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $3,052, maturing at various times through November 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 of $935,589. Contribution revenue of $417,299 was recognized in 2019 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $393,018.		542,571

Note 11—Notes payable (continued)

Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling $1,497, maturing at various times through June 2049. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2020 of $516,023. Contribution revenue of $234,245 was recognized in 2020 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2020 amounted to $228,907.	$	287,116
In accordance with Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the ''CARES Act''), Habitat applied for and received a Paycheck Protection Program loan totaling $746,625 during April 2020 based on the federal government's payroll formula. Section 1106 of the CARES Act provides for forgiveness of up to the full principal amount of qualifying loans including accrued interest to the extent Habitat incurs certain qualifying expenses and maintains a certain level of average full-time equivalent employees during the measurement period following closing of the loan. Any portion of the loan that is not forgiven has a term of two years with an interest rate of 1%.		746,625
	$	22,594,529

Notes payable are presented in the statements of financial position as follows at June 30, 2020:

Notes payable, secured by mortgages, net of unamortized discount	$	17,904,847
Note payable, secured by Harding Place property		3,447,595
Notes payable, unsecured		495,462
Paycheck Protection Program loan		746,625
	$	22,594,529

Future principal maturities of notes payable are as follows:

Years Ending June 30,		
2021	$	2,130,114
2022		2,764,358
2023		2,010,025
2024		4,193,035
2025		1,561,481
Thereafter		23,865,276
Total principal maturities		36,524,289
Debt issuance costs		(36,256)
Amounts representing imputed interest		(13,893,504)
	$	22,594,529

Note 12—Line of credit

Habitat has a $950,000 line of credit agreement with a bank bearing interest at the bank's index rate plus 1% (4.5% at June 30, 2020). The line of credit is secured by real estate. The line of credit has a maturity date of January 2021. At June 30, 2020, no borrowings were outstanding under the line of credit agreement.

Note 13—NMTC joint venture note payable

Habitat had a loan payable to CCM, 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 were to commence on November 10, 2020, due semi-annually to then fully amortize the principal balance over an eight-year period, maturing May 10, 2028.

The loan was secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt was associated with a put option feature under an option agreement between the joint venture's related parties that was expected to be exercised in 2020 that extinguished the liability from Habitat. The balance of the note payable at June 30, 2019 was $1,880,000, net of issuance costs of $15,555. Debt issuance costs of $27,151 were being amortized to interest expense over the 15-year term of the loan. In September 2019, the investment fund exercised a put option, resulting in CCML holding the debt, thereby releasing Habitat from any future obligation outstanding under the promissory note. Upon release from future obligations under the promissory note, Habitat recognized $299,867 of debt forgiveness income included in the statements of activities. As of June 30, 2020, there was no outstanding amount due on this promissory note.

Simultaneous with these transactions, CCML entered into an option agreement (the "Agreement") with U.S. Bancorp Community Development Corporation ("USBCDC"), the federal tax credit investor, who is the sole-member of CCM CD 27 Investment Fund, LLC (the "Fund"), and the upstream effective owner of CCM. Under the terms of the Agreement, USBCDC exercised its put option on September 15, 2019. Under the terms of the Agreement, CCML purchased the ownership interest of the 2012 Fund. Exercise of the option effectively extinguished Habitat's outstanding debt owed to the 2009 Fund and resulted in approximately $300,000 in debt forgiveness income during 2020.

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

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership's related parties that is expected to be exercised in 2025 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2020 is $1,715,000, net of issuance costs of $46,499. Debt issuance costs of $53,253 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the sole-member of Twain Investment Fund 296, LLC (the "Twain Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC is expected to put its ownership interest into the Twain Fund for $1,000, during the six-month put period beginning December 20, 2024.

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

Note 13—NMTC joint venture note payable (continued)

Pursuant to the agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the 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 HCF.

Habitat has a loan payable to HCF, dated June 4, 2020, as part of a third NMTC transaction. It is a 20-year loan bearing interest at 0.730945% with semi-annual interest-only payments commencing on December 5, 2020, and continuing until June 5, 2027. Principal and interest payments are to commence on December 5, 2027, due semi-annually to then fully amortize the principal balance over a 12-year period, maturing June 3, 2040.

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership's related parties that is expected to be exercised in 2027 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2020 was $1,521,250 net of issuance costs of $82,640. Debt issuance costs of $82,986 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the owner of USBCDC (the "USBCDC Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC Endowment Fund is expected to put its ownership interest in HCF to HHL for $1,000, during the six-month put period beginning December 20, 2024.

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

Pursuant to the agreement, Habitat is required to comply with the NMTC requirements as generally set forth in the 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 HCF.

Note 14—Net assets with donor restrictions

Net assets with donor restrictions consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30, 2020:

Unamortized discount on notes payable	$ 13,893,504
Donor restricted contributions	995,492
Unconditional promises to give, net	23,935
	$ 14,912,931

Note 15—Concentrations

Habitat maintains its cash in bank accounts that at times may exceed federally insured limits. Habitat has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation (FDIC). Management believes Habitat is not exposed to any significant credit risk on its cash balances. Uninsured balances at June 30, 2020 totaled $547,551.

Note 16—Commitments and contingencies

In connection with the development of Park Preserve, Edison Park, and Hallmark subdivisions, Habitat has obtained letters of credit totaling $1,995,000 at June 30, 2020, securing the completion of certain improvements. Habitat had no outstanding borrowings associated with these letters of credit at June 30, 2020. The letters of credit expire through April 2021.

Habitat leases certain office and warehouse space and equipment under leasing arrangements classified as operating leases. Rent expense under such arrangements amounted to $149,953 for the year ended June 30, 2020. A summary of future minimum rental payments as of June 30, 2020 is as follows:

Years Ending June 30,		
2021	$	54,137
2022		7,583
2023		1,794
2024		382
	$	63,896

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

Note 17—In-kind contributions

In-kind contributions received by Habitat are recorded based on their estimated value. A summary of in-kind contributions is as follows for the year ended June 30, 2020:

Building supplies and home appliances	$	330,489

Approximately 5,600 individuals contributed significant amounts of time to Habitat's activities during the year ended June 30, 2020. The financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by U.S. GAAP.

Note 18—Retirement plan

Habitat has a defined contribution retirement plan for its employees, which was established as a Simple IRA. As described in the plan document, substantially all full-time employees are eligible to participate in the plan. Discretionary contributions may be made at the option of the Board of Directors. Habitat recognized retirement plan expense of $72,949 for the year ended June 30, 2020.

Note 19—Supplemental cash flow information

The following is supplemental cash flow information required by U.S. GAAP.

Supplemental Cash Flow Information:

Interest paid	$ 25,315

Supplemental Schedule of Noncash Investing and Financing Activities:

Issuance of non-interest bearing mortgage loans	$ 7,195,002
Discount on non-interest bearing mortgage loans	(3,115,212)
Transfers to homeowners subject to non-interest bearing mortgage loans	$ 4,079,790
Loans transferred to real estate held for sale	$ -

Note 20—Related parties

At June 30, 2020, Habitat owed notes payable, net of discounts, totaling approximately $7,084,645, to financial institutions which have executives who serve on Habitat's Board of Directors.

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

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the year ended June 30, 2020, Habitat contributed $111,998, to Habitat International.

Habitat has received Self-Help Homeownership Opportunity Program funds from Habitat International. Of the funds received, 75% were in the form of a grant with the remaining 25% repayable under non-interest bearing four-year notes payable. During the year ended June 30, 2020, Habitat was granted $463,800. At June 30, 2020, the balances of the loans totaled $405,462.

Note 21—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant declines and volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to Habitat, its performance, and its financial results.

SUPPLEMENTAL INFORMATION

HABITAT FOR HUMANITY OF GREATER NASHVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-Through Grantor	Program Name	CFDA Number	Expenditures	Loans Outstanding
FEDERAL AWARDS				
U.S. Department of Housing and Urban Development Passed Through:				
Habitat for Humanity International, Inc.	Self-Help Homeownership Opportunity Program	14.247	$ 298,800	$ 74,700
Habitat for Humanity International, Inc.	Self-Help Homeownership Opportunity Program	14.247	165,000	41,250
Total Self-Help Homeownership Opportunity Program			463,800	115,950
Metropolitan Development and Housing Agency	Home Investment Partnership Program	14.239	288,640	-
Metropolitan Development and Housing Agency	Home Investment Partnership Program	14.239	68,747	-
Total Home Investment Partnership Program			357,387	-
Total U.S. Department of Housing and Urban Development			821,187	115,950
Total Federal Awards			$ 821,187	$ 115,950

Note 1—Basis of presentation

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal award activity of Habitat for Humanity of Greater Nashville under programs of federal governments for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of Habitat for Humanity of Greater Nashville, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Habitat for Humanity of Greater Nashville.

Note 2—Indirect cost rate

Habitat for Humanity of Greater Nashville Service expended indirect costs using the 10% de minimis cost rate allowed under the Uniform Guidance.

Cherry Bekaert LLP
CPAs & Advisors

Report Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States the financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 23, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Habitat for Humanity of Greater Nashville's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Habitat for Humanity of Greater Nashville's internal control. Accordingly, we do not express an opinion on the effectiveness of the Habitat for Humanity of Greater Nashville's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Habitat for Humanity of Greater Nashville's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Habitat for Humanity of Greater Nashville's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Habitat for Humanity of Greater Nashville's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
September 23, 2020

Report of Independent Auditor on Compliance for Each Major Program And on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Habitat for Humanity of Greater Nashville's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Habitat for Humanity of Greater Nashville's major federal programs for the year ended June 30, 2020. Habitat for Humanity of Greater Nashville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Habitat for Humanity of Greater Nashville's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Habitat for Humanity of Greater Nashville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Habitat for Humanity of Greater Nashville's compliance.

Opinion on Each Major Federal Program

In our opinion, Habitat for Humanity of Greater Nashville complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Habitat for Humanity of Greater Nashville is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Habitat for Humanity of Greater Nashville's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Habitat for Humanity of Greater Nashville's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Cherry Bekaert LLP

Nashville, Tennessee
September 23, 2020

HABITAT FOR HUMANITY OF GREATER NASHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED DECEMBER 31, 2020

Section I—Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Habitat for Humanity of Greater Nashville were prepared in accordance with U.S. GAAP.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*

3. No instances of noncompliance material to the financial statements of Habitat for Humanity of Greater Nashville, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

4. No material weaknesses or significant deficiencies relating to the audit of the major federal award programs are reported in the *Report of Independent Auditor on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.*

5. The auditor’s report on compliance for the major federal awards programs of Habitat for Humanity of Greater Nashville expresses an unmodified opinion on all major federal programs.

6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in this schedule.

7. The program tested as a major program is as follows:

CFDA Number	Name of Federal Program
14.239	Home Investment Partnership Program

8. The threshold used for distinguishing between Type A and B programs was $750,000.

9. Habitat for Humanity of Greater Nashville did not qualify as a low-risk auditee.

Section II—Findings Related to the Financial Statement Audit

This section identified the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Accounting Standards.

There were no findings required to be reported by 2 CFR Section 200.516(a).

Section III—Findings and Questioned Costs for Major Federal Award Programs Audit

This section identifies the significant deficiencies, material weaknesses, and material instances of noncompliance, including questioned costs, as well as any material abuse of findings, related to the audit of major programs, as required to be reported by 2 CFR Section 200.516(a).

There were no findings required to be reported by 2 CFR Section 200.516(a).