Habitat for Humanity of Greater Memphis, Inc.

Financial Statements

Years Ended June 30, 2018 and 2017

DIXON HUGHES GOODMAN LLP

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DIXON HUGHES GOODMAN LLP

Independent Auditors' Report

Board of Directors
Habitat for Humanity of Greater Memphis, Inc.
Memphis, Tennessee

We have audited the accompanying financial statements of Habitat for Humanity of Greater Memphis, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017, 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 the 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.

Auditors' 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 auditors' 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 Organization'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 Organization'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.

DHG
DIXON HUGHES GOODMAN LLP

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 Memphis, Inc., as of June 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dixon Hughes Goodman LLP

Memphis, Tennessee
November 27, 2018

Habitat for Humanity of Greater Memphis, Inc.
Statements of Financial Position
June 30, 2018 and 2017

	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 3,501,444**	$ 2,176,603
Cash - restricted	**233,109**	148,275
Cash held in escrow	**301,014**	242,081
Accounts receivable, net	**545,978**	977,854
Mortgages receivable - current portion, net	**429,576**	556,828
Pledges receivable	**-**	450
Pledges receivable - related party	**856**	1,106
Inventory	**10,029**	11,331
Completed homes available for sale	**60,317**	201,169
Construction-in-process, land and repossessed homes	**1,397,710**	894,062
Prepaid expenses	**18,497**	30,652
Total current assets	**6,498,530**	5,240,411
Mortgages receivable - less current portion, net	**3,242,397**	4,130,735
Investment in joint ventures (Note 5)	**4,740,353**	6,635,096
Property and equipment, net	**155,625**	210,629
Total assets	**$ 14,636,905**	$ 16,216,871
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	**$ 556,374**	$ 281,336
Deferred revenue	**776,846**	108,957
Escrow and deposits	**351,145**	299,145
Notes payable - current portion	**188,182**	481,602
Total current liabilities	**1,872,547**	1,171,040
HFMI-SA NMTC IV LLC debt (Notes 5 & 7), net, less current maturities	**-**	4,565,139
CCM Community Development XXVII LLC debt (Notes 5 & 7), net	**1,825,713**	1,794,561
HFHI NMTC Sub-CDE I, LLC Debt (Notes 5 & 7), net	**1,208,646**	1,196,108
HFHI NMTC Leverage Lender 2016-1 LLC debt (Notes 5 & 7), net	**3,002,875**	-
Long-term notes payable, less current portion	**2,347,498**	2,359,595
Total liabilities	**10,257,279**	11,086,443
Net assets:		
Unrestricted	**2,926,473**	3,611,935
Temporarily restricted	**1,453,153**	1,518,493
Total net assets	**4,379,626**	5,130,428
Total liabilities and net assets	**$ 14,636,905**	$ 16,216,871

Habitat for Humanity of Greater Memphis, Inc.

Statement of Activities

Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Support:			
Grants	$ 1,290,907	$ -	$ 1,290,907
Contributions	841,203	159,673	1,000,876
Special events	151,394	-	151,394
Total support	2,283,504	159,673	2,443,177
Revenue:			
Home sales, net	1,073,786	-	1,073,786
ReStore sales	1,104,178	-	1,104,178
Other	2,049,657	-	2,049,657
Total revenue	4,227,621	-	4,227,621
Net assets released from restrictions	225,013	(225,013)	-
Total support and revenue	6,736,138	(65,340)	6,670,798
Expenses:			
Program services:			
Construction and other programs	4,642,869	-	4,642,869
Support services:			
General and administrative	859,038	-	859,038
Fundraising	1,919,693	-	1,919,693
Total expenses	7,421,600	-	7,421,600
Change in net assets	(685,462)	(65,340)	(750,802)
Net assets, beginning of year	3,611,935	1,518,493	5,130,428
Net assets, end of year	$ 2,926,473	$ 1,453,153	$ 4,379,626

Habitat for Humanity of Greater Memphis, Inc.

Statement of Activities

Year Ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Support:			
Grants	$ 3,423,400	$ -	$ 3,423,400
Contributions	227,747	2,944,072	3,171,819
Special events	81,867	-	81,867
Total support	3,733,014	2,944,072	6,677,086
Revenue:			
Home sales, net	1,553,806	-	1,553,806
ReStore sales	1,301,005	-	1,301,005
Other	1,829,522	-	1,829,522
Total revenue	4,684,333	-	4,684,333
Net assets released from restrictions	4,120,419	(4,120,419)	-
Total support and revenue	12,537,766	(1,176,347)	11,361,419
Expenses:			
Program services:			
Construction and other programs	8,265,420	-	8,265,420
Support services:			
General and administrative	690,452	-	690,452
Fundraising	1,144,246	-	1,144,246
Total expenses	10,100,118	-	10,100,118
Change in net assets	2,437,648	(1,176,347)	1,261,301
Net assets, beginning of year	1,174,287	2,694,840	3,869,127
Net assets, end of year	$ 3,611,935	$ 1,518,493	$ 5,130,428

Habitat for Humanity of Greater Memphis, Inc.
Statement of Functional Expenses
Year Ended June 30, 2018

	Construction and Other Programs	General and Administrative	Fundraising	Total Expenses
Salaries	$ 896,453	$ 154,693	$ 1,040,155	$ 2,091,301
Payroll taxes	57,151	36,997	58,278	152,426
Total personnel	953,604	191,690	1,098,433	2,243,727
Advertising and public relations	45,544	331	21,786	67,661
Bank charges	13,145	92,187	13,697	119,029
Benefits	8,970	15,496	17,152	41,618
Construction costs	2,292,340	226,272	220,509	2,739,121
Contract labor	83,875	-	20,165	104,040
Cost of events	106,128	7,342	82,181	195,651
Donation and tithe	-	25,000	87,850	112,850
Dues and subscriptions	9,013	8,629	6,369	24,011
Employee recruitment	21	-	120	141
Information technology	3,384	3,219	20,641	27,244
Insurance	190,190	61,077	112,187	363,454
Interest	131,811	104,040	-	235,851
Maintenance and repairs	55,359	9,147	13,324	77,830
Miscellaneous	12,325	4,997	22,340	39,662
Postage	8,424	1,047	10,315	19,786
Printing	22,565	714	33,678	56,957
Professional fees	71,604	41,457	16,753	129,814
Rent	233,737	19,452	47,194	300,383
Sponsorships	-	3,000	-	3,000
Supplies and tools	22,514	4,985	12,468	39,967
Taxes and permits	93,193	(8,735)	260	84,718
Telephone and internet	23,502	6,594	11,865	41,961
Training and workshops	5,492	9,813	10,960	26,265
Travel	13,764	27,738	30,514	72,016
Utilities	84,804	3,546	7,092	95,442
Vehicles	49,482	-	1,840	51,322
Weed cutting	35,409	-	-	35,409
Total expenses before depreciation	4,570,199	859,038	1,919,693	7,348,930
Depreciation	72,670	-	-	72,670
Total expenses	$ 4,642,869	$ 859,038	$ 1,919,693	$ 7,421,600

Habitat for Humanity of Greater Memphis, Inc.

Statement of Functional Expenses

Year Ended June 30, 2017

	Construction and Other Programs	General and Administrative	Fundraising	Total Expenses
Salaries	$ 918,350	$ 135,003	$ 688,936	$ 1,742,289
Payroll taxes	60,066	29,993	40,127	130,186
Total personnel	978,416	164,996	729,063	1,872,475
Advertising and public relations	103,956	-	56,027	159,983
Bank charges	21,459	59,207	12,512	93,178
Benefits	8,921	12,426	12,705	34,052
Construction costs	5,416,032	121,861	557	5,538,450
Contract labor	74,249	18,178	10,973	103,400
Cost of events	150,084	4,925	43,906	198,915
Donation and tithe	-	125,000	-	125,000
Dues and subscriptions	4,688	6,677	3,672	15,037
Employee recruitment	405	-	45	450
Information technology	8,909	4,582	11,560	25,051
Insurance	249,405	44,980	80,372	374,757
Interest	219,071	6,859	-	225,930
Maintenance and repairs	75,074	6,777	10,847	92,698
Miscellaneous	106,920	(22,063)	24,056	108,913
Postage	1,700	425	3,876	6,001
Printing	25,655	3,075	32,355	61,085
Professional fees	76,589	61,771	10,318	148,678
Rent	250,771	17,470	34,283	302,524
Sponsorships	-	-	2,975	2,975
Supplies and tools	15,484	(9,418)	6,081	12,147
Taxes and permits	118,951	7,819	-	126,770
Telephone and internet	20,499	3,843	6,430	30,772
Training and workshops	5,137	4,934	6,145	16,216
Travel	58,226	41,862	38,957	139,045
Utilities	97,934	3,214	6,427	107,575
Vehicles	39,037	1,052	104	40,193
Weed cutting	65,804	-	-	65,804
Total expenses before depreciation	8,193,376	690,452	1,144,246	10,028,074
Depreciation	72,044	-	-	72,044
Total expenses	$ 8,265,420	$ 690,452	$ 1,144,246	$ 10,100,118

See accompanying notes.

Habitat for Humanity of Greater Memphis, Inc.

Statements of Cash Flows

Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	**$ (750,802)**	$ 1,261,301
Adjustments to reconcile change in net assets to cash used in operating activities:		
Depreciation	**72,670**	72,044
Amortization of discount on mortgages receivable	**(370,204)**	(407,383)
Present value discount on notes payable	**(10,839)**	(200,957)
Amortization of closing costs	**76,218**	107,802
Equity in earnings of joint ventures	**(120,736)**	(95,121)
Allowance (recoveries) for doubtful accounts	**21,889**	(3,759)
Allowance for mortgages receivable	**(15,793)**	(30,621)
Recoveries on repossessed homes	**(47,397)**	(4,262)
Loss on sale of completed homes	**31,552**	175,059
Gain on the sale of mortgage receivables	**(940,489)**	(1,540,445)
Gain on debt cancellation	**(674,348)**	-
Sale of foreclosed homes	**251,501**	119,051
Changes in assets and liabilities:		
Certificates of deposit - restricted	**-**	16,137
Cash held in escrow	**(58,933)**	59,973
Grants and accounts receivable	**409,987**	(448,998)
Mortgages receivable	**1,259,188**	2,533,634
Pledges receivable	**450**	-
Pledges receivable - related party	**250**	250
Inventory	**1,302**	(11,331)
Construction-in-process, land and repossessed homes	**(1,719,452)**	(3,051,910)
Prepaid expenses	**12,155**	544
Accounts payable, accrued expenses and deferred revenue	**1,004,371**	(1,428,435)
Escrow and deposits	**52,000**	(60,820)
Total adjustments	**(764,658)**	(4,199,548)
Net cash used in operating activities	**(1,515,460)**	(2,938,247)

See accompanying notes.

	2018	2017
Cash flows from investing activities:		
Investment in joint venture	**(1,885,212)**	-
Proceeds from sale of mortgage receivables	**2,203,887**	1,026,045
Purchase of property and equipment	**(17,665)**	(50,581)
Net cash provided by investing activities	**301,010**	975,464
Cash flows from financing activities:		
Loan costs	**(353,758)**	-
Borrowings on notes payable	**193,236**	733,741
Repayments on notes payable	**(187,804)**	(295,577)
Loan proceeds from HFHI NMTC Leverage Lender 2016-1, LLC Debt	**2,972,451**	-
Net cash provided by financing activities	**2,624,125**	438,164
Net increase (decrease) in cash and cash equivalents	**1,409,675**	(1,524,619)
Cash and cash equivalents (including restricted cash), beginning of year	**2,324,878**	3,849,497
Cash and cash equivalents (including restricted cash), end of year	**$ 3,734,553**	$ 2,324,878
Supplemental disclosure of cash flow information:		
Cash paid for interest	**$ 166,831**	$ 155,603
Schedule of noncash operating transactions:		
Transfer of homes for mortgages receivables	**$ 1,152,552**	$ 2,983,744

1. Organization

Habitat for Humanity of Greater Memphis, Inc. (the "Organization"), is a not-for-profit voluntary health and welfare agency established to provide low income families a means of owning a home. The Organization is supported by donations from the community, government grants, and sales from the ReStore.

2. Summary of Significant Accounting Policies

Basis of presentation

The accompanying financial statements reflect the results of all programs operated and controlled by the Organization. The financial statements are prepared in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide, *Not-for-Profit Entities,* which is in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Estimates

The process of preparing financial statements in conformity with GAAP requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Revenue recognition

The Organization receives support from private contributions. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending upon the existence and/or nature of any donor restrictions. In accordance with GAAP, the Organization recognizes contribution revenue when the donor makes a promise to give that is, in substance, unconditional.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support.

Grant funds are earned and reported as revenue when the Organization 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 fiscal year.

Adjustments to the fair value of investments are recognized in the statement of activities as unrestricted or temporarily restricted as stipulated by the donor.

The value of donated materials and land is recorded at fair value at the date of the gift.

Home sales are transfers to homeowners in exchange for a non-interest bearing mortgage receivable. The non-interest mortgages are discounted at various rates based upon prevailing market rates at the inception of the mortgages. Discounts are amortized over the lives of the mortgages.

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled $57,117 and $72,696 for the years ended June 30, 2018 and 2017, respectively.

Concentration of credit risk

The mortgage notes are collateralized by real property and transfers to homeowners are based on actual construction costs which in certain instances are very favorable due to donated labor. The homeowners who are extended credit are low income families.

The Organization maintains bank deposit accounts, which, at times, exceed federally insured limits.

Cash and cash equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less when purchased.

Cash - restricted

Restricted cash represents cash received as a result of the New Market Tax Credit Program and will be used to pay future program expenses. See Note 5 for further discussion.

Construction-in-process, land and repossessed homes

Construction-in-process represents those houses which are currently under construction. Land consists of land and improvements to be utilized as lots for future homeowners. Repossessed homes consist of foreclosed and uninhabited houses that are available for future homeowners. Purchased land and materials for the construction of houses are recorded at cost and costs incurred to improve land are capitalized when incurred. Repossessed homes are recorded at the outstanding mortgage balance at the date of reclamation. Overhead and administration expenses of the Organization's home construction are included in program services construction expenses.

Periodically the Organization reviews the carrying value of purchased or donated land and repossessed homes, and records any impairment charges necessary to reflect a decrease in the land's or repossessed home's fair value.

Inventory

For the ReStore operations, contributed inventory is not recorded until it is sold due to the uncertainty of its ultimate value. Purchased inventory is valued at the lower of cost or net realizable value with cost being determined using the first-in, first-out (“FIFO”) method.

Investment in joint ventures

The Organization invests in joint ventures with other Habitat affiliates to take advantage of New Market Tax Credits. The investments are recorded on the equity method. See Note 5 for further discussion.

Accounts receivable

The Organization records accounts receivable at their estimated net realizable value. An allowance for doubtful accounts is recorded when needed based upon management's estimate of uncollectible accounts, determined by analysis of specific customer accounts. Past due balances and delinquent receivables are charged against the allowance when they are determined to be uncollectible by management. The allowance for doubtful accounts at June 30, 2018 and 2017 was $50,131 and $60,889, respectively. The Organization does not recognize interest income on outstanding accounts receivable.

Taxes collected from customers and remitted to governmental authorities

The Organization records revenues for the ReStore gross of any applicable sales, occupancy, and other related revenue transaction taxes. These taxes are included in construction and other programs expense on the statement of activities.

Income taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") and is similarly exempt from Tennessee state income taxes under provision of the Tennessee tax regulations. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization has been determined not to be a private foundation under Section 509(a) of the IRC. The Organization has determined that it does not have any material uncertain tax positions as of June 30, 2018 or 2017, and there are no interest and penalties related to income tax assessments.

Property and equipment

Property and equipment are recorded at cost, if purchased, or at fair value at the date of the gift, if donated. Asset improvements and repairs that significantly extend the life of an asset are capitalized. The costs of maintenance and repairs are charged to expense as incurred. Depreciation amounted to $72,670 and $72,044 for the years ended June 30, 2018 and 2017, respectively, and was computed using the straight-line method over the respective assets' estimated useful lives, which range from 5 to 15 years.

Property and equipment as of June 30 is summarized as follows:

	2018	2017
Leasehold improvements	**$ 226,122**	$ 215,841
Furniture and equipment	**194,410**	187,025
Automobiles	**194,167**	199,082
	614,699	601,948
Less accumulated depreciation	**(459,074)**	(391,319)
	$ 155,625	$ 210,629

Functional allocation of expenses

The costs of providing the various programs and activities of the Organization have been summarized on a functional basis in the accompanying statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-kind services

A substantial number of volunteers have made significant contributions of their time to the Organization. The value of contributed services meeting the requirements for recognition in the financial statements is not material and has not been recorded.

Recent accounting pronouncements

The Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-14, Presentation of Financial Statements of Not-for-Profit Entities, effective for annual financial statements issued for fiscal years beginning after December 15, 2017. The most significant changes within the ASU impact the following areas:

1. ***Net Asset Classes*** - Net asset classification has been reduced from three classes of net assets (unrestricted, temporarily restricted and permanently restricted) to net assets with donor restrictions and net assets without donor restrictions.

2. ***Investment Return*** - Investment return will be reported net of external and direct internal investment expenses and those netted expenses are no longer required to be disclosed.

3. ***Expenses*** - Expenses by both their natural classification and their functional classification will be presented either on the face of the statement of activities, as a separate statement or in the notes to the financial statements.

4. ***Liquidity and Availability of Resources*** - The ASU requires disclosures that communicate qualitative information of how a not-for-profit entity manages its liquid resources available to meet cash needs for general expenditures within one year of the statement of financial position date, as well as quantitative information that communicates the availability of a not-for-profit entity's financial assets at the statement of financial position date to meet cash needs for general expenditures within one year of the statement of financial position date.

5. ***Presentation of Operating Cash Flows*** - Not-for-profit entities can continue to present the statement of cash flows using either the direct method or indirect method. The ASU removes the requirement to present or disclose the indirect method when using the direct method of reporting cash flows.

The Organization intends to adopt the new ASU guidance using the retrospective method in fiscal year 2019.

The FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which requires lessees to recognize on their statement of financial position all lease contracts with lease terms greater than 12 months, including operating leases. Specifically, lessees are required to recognize on the statement of financial position at lease commencement both a right-of-use, representing the lessee's right to use the leased asset over the term of the lease, and a lease liability, representing the lessee's contractual obligation to make lease payments over the term of the lease. The new lease standard requires lessees to classify leases as operating or finance leases, which are similar to the current operating and capital lease classifications. However, the distinction between these two classifications under the new standard does not relate to statement of financial position treatment, but relates to treatment and recognition in the statements of income and cash flows. The effective date of the amendment is for annual reporting periods beginning after December 15, 2019.

On June 21, 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which applies to all entities that receive or make contributions, including business entities. The criteria for evaluating whether contributions are unconditional (and thus recognized immediately in income) or conditional (for which income recognition is deferred) have been clarified. The focus is whether a gift or grant agreement both (1) specifies a "barrier or hurdle" that the recipient must overcome to be entitled to the resources, and (2) releases the donor from its obligation to transfer resources (or if assets are advanced, a right to demand their return) if the barrier or hurdle is not achieved. An agreement that contains both is a conditional contribution. An agreement that omits one or both is unconditional. No new disclosures are required.

For grants/contributions made, donors will use the same criteria as recipients (i.e., a barrier or hurdle coupled with a right of return/right of release) to determine whether gifts or grants are conditional or unconditional. Expense recognition is deferred for conditional arrangements and is immediate for unconditional arrangements.

For federal and other government grants, the ASU clarifies the definition of an exchange transaction. As a result, not-for-profit entities will account for most federal grants as donor-restricted conditional contributions, rather than as exchange transactions (the prevalent practice today). An accommodation ("simultaneous release" option) is provided which, if elected, would allow grants received and used within the same period to be reported in net assets without donor restrictions, consistent with where the grant revenue is reported today.

The Organization is required to apply the amendments of the ASU on contributions and grants received during the fiscal year ending June 30, 2020.

Subsequent events

The Organization evaluated the effect subsequent events would have on the financial statements through November 27, 2018, which is the date the financial statements were available to be issued.

3. Mortgages Receivable and Cash Held in Escrow

The Organization records and accounts for mortgage loans receivable based on the present value of the loan at the time of closing. For purposes of calculating loan present values, interest rates are determined based on the market rates for a similar type of loan on the date of closing and range from 6% to 9% for all loans outstanding. This method of accounting properly reflects the value of the mortgage loans receivable in the financial statements and recognizes interest income over the life of the loans.

Monthly payments include principal, taxes and insurance. Administration of the mortgages and tax and insurance escrow is handled by third parties. Amounts received for down payments, temporary occupancy agreements, rent escrow, taxes and insurance are maintained by the Organization in a separate bank account. The balance of that account at June 30, 2018 and 2017, was $301,014 and $242,081, respectively.

The Organization has recorded an allowance for uncollectible mortgages receivable of $153,586 and $169,379 as of June 30, 2018 and 2017, respectively.

Future scheduled mortgage payments are as follows:

Year Ended June 30,	
2019	$ 432,570
2020	412,522
2021	396,000
2022	379,369
2023	361,997
Thereafter	6,143,474
	8,125,932
Less discount	(4,300,373)
Less allowance for doubtful accounts	(153,586)
	$ 3,671,973

4. Sale of Mortgage Receivables

Sales with recourse

The Organization enters into loan purchasing agreements with recourse to financial institutions. These transactions were accounted for as secured borrowings. Proceeds received from the loan purchase agreements with recourse totaled $193,236 and $733,741 for the years ending June 30, 2018 and 2017. The outstanding balances are reflected as notes payable due to Tennessee Housing Development. See Note 7.

Sales without recourse

The Organization accounts for certain transfers of financial assets without recourse as sales. The transfer accounted for as a sale includes an agreement to repurchase nonperforming loans before maturity at a fixed or determinable price that will be settled generally in cash. Also, the Organization retains substantially all of the exposure to the economic return on the asset. The Organization has recorded a contingent liability of $12,500 for the potential repurchase of nonperforming loans at June 30, 2018.

The Organization received proceeds from the transfer of loans during 2018 in the amount of $2,203,887 and recognized a gain of approximately $940,500 related to these sales.

During 2017, the Organization amended the loan purchasing agreements with Iberia Bank so that all purchased loans were without recourse and the transfer of the loans are treated as sales. The derecognition of the secured borrowing resulted in a gain of approximately $1,027,000. The Organization also received proceeds from the transfer of other loans during 2017 in the amount of $1,026,045 and recognized a gain of approximately $513,000 related to these sales.

5. Investment in Joint Venture and New Market Tax Credit Program

The Organization, along with other Habitat affiliates, is participating in a joint venture to take advantage of New Market Tax Credit ("NMTC") financing. The NMTC Program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified community development entities ("CDE").

During 2011, the Organization invested $3,726,181 in the joint venture, HFHI-SA Leverage VII, LLC, consisting of cash and qualified investment properties. This investment represented a 23% ownership in the joint venture. The joint venture contributed its combined resources to HFHI-SA Investment Fund IV, LLC ("Investment Fund") which received additional investment from U.S. Bancorp Community Development Corporation ("Bank") as the federal tax credit investor under the NMTC Program.

As part of the NMTC Program, the Investment Fund invested in HFHI-SA NMTC IV, LLC, a qualified CDE. The CDE is the conduit for accomplishing the NMTC Program specifics of constructing and selling qualified housing properties to low income residents. Under the CDE, the Organization was able to secure a 15-year loan in the amount of $4,938,866 to be used solely in accordance with NMTC Program compliance requirements. The loan accrued interest only for years 1 through 7 at a rate of .75%. Beginning in year 8 through year 15 the principal balance of the loan is reduced by an eight-year amortization at the same rate of .75%. The Investment Fund may be subject to tax credit recapture if the NMTC Program compliance requirements are not met over a seven-year period.

The ultimate holder of the above loan from the CDE to the Organization is the Bank through its participation in the Investment Fund. In January 2018, the Bank waived the payment of the debt so as to participate in the NMTC Program via exercising its put option agreement. Under the terms of the put option agreement, the joint venture purchased the ownership interest of the Bank in the Investment Fund. Exercise of the option allowed the Organization to extinguish its outstanding debt owed to the Bank. The Organization recognized a gain of $674,348 as a result of the cancelation of debt.

In July 2012, the Organization entered into another a joint venture to take advantage of a NMTC Program similar to the one noted above. With the new NMTC Program, the Organization invested $1,434,475 in the joint venture, CCM Community Development XXVII, LLC, consisting of cash and qualified investment properties. This investment represents a 20% ownership in the joint venture. Under the CDE, the Organization was able to secure a 15-year loan in the amount of $1,880,000 to be used solely in accordance with NMTC Program compliance requirements. The loan accrues interest only for years 1 through 7 at a rate of .76%. Beginning in year 8 through year 15 the principal balance of the loan is reduced by an eight-year amortization at the same rate of .76%. The CDE also has the option to waive the debt in January 2020, so as to participate in the NMTC program as noted above.

In December 2014, the Organization entered into a third NMTC Program similar to those noted above. With the new NMTC Program, the Organization invested $911,557 in the joint venture, HFHI NMTC Sub-CDE I, LLC, consisting of cash and qualified investment properties. This investment represents a 23% ownership in the joint venture. Under the CDE, the Organization was able to secure a 30-year loan in the amount of $1,322,898 to be used solely in accordance with NMTC Program compliance requirements. The loan accrues interest only for the years 1 through 10 at a rate of .69%. Beginning in year 11 through year 30 the principal balance of the loan is reduced by a twenty-year amortization at the same rate of .69%. The CDE also has the option to waive the debt in January 2022, so as to participate in the NMTC program as noted above.

In November 2017, the Organization entered into a fourth NMTC Program similar to those noted above. With the new NMTC Program, the Organization invested $2,249,039 in the joint venture, HFHI NMTC Leverage Lender 2016-1, LLC, consisting of cash and qualified investment properties. The investment represents at 24% ownership in the joint venture. Under the CDE, the Organization was able to secure a 30-year loan in the amount of $3,336,278 to be used solely in accordance with NMTC Program compliance requirements. The loan accrues interest only for the years 1 through 7 at a rate of. 67%. Beginning in year 8 through year 30 the principal balance of the loan is reduced by a twenty-two year amortization at the same rate of .67%. The CDE also has the option to waive the debt in January 2025, so as to participate in the NMTC program as noted above.

6. Lines of Credit

As of June 30, 2018, the Organization has two lines of credit with First Tennessee Bank and Iberia bank of $975,000 and $1,000,000, respectively. The First Tennessee Bank line of credit bears interest quarterly at the bank's prime rate (5.00% as of June 30, 2018) and expires on April 30, 2020. The Iberia Bank line of credit bears interest monthly at the bank's prime rate (5.25% as of June 30, 2018) and expires February 26, 2019. At June 30, 2018, the Organization had no outstanding borrowings under these lines of credit

7. Notes Payable

Notes payable consists of the following at June 30, 2018 and 2017:

	2018	2017
Notes payable to Tennessee Housing Development with imputed interest rates ranging from 3.25% to 8.25%, payable monthly, maturing at various times through 2048, collateralized by certain mortgages receivable with principal balances totaling $4,477,644 and $4,468,282 as of June 30, 2018 and 2017, respectively. Balances of $3,956,849 and $3,951,417 reduced by discounts of $1,421,169 and $1,410,330 as of June 30, 2018 and 2017, respectively.	**$ 2,535,680**	$ 2,541,087
Notes payable due to a CDE (Note 5) with semi-annual interest only payments until 2020 at .761%. Semi-annual payments of $121,338 are due starting November 10, 2020 through the maturity date of May 10, 2028. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The CDE has the option to waive the debt in January 2020 so as to participate in the NMTC Program. Balance of $1,880,000 is reduced by unamortized loan cost of $54,287 and $85,439 as of June 30, 2018 and 2017, respectively.	**1,825,713**	1,794,561
Notes payable due to a CDE (Note 5) with semi-annual interest only payments until 2018 at .748%. Semi-annual payments of $318,586 are due starting June 5, 2018 through the maturity date of December 5, 2025. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The CDE exercised the option to waive the debt in		

	2018	2017
January 2018 so as to participate in the NMTC Program. Balance of $4,938,866 is reduced by unamortized loan cost of $73,617 as of June 30, 2017.	**-**	4,865,249
Notes payable due to a CDE (Note 5) with semi-annual interest only payments until 2024 at .689%. Semi-annual payments of $33,886 are due starting May 5, 2024 through the maturity date of November 5, 2044. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The CDE has the option to waive the debt in January 2024 so as to participate in the NMTC Program. Balance of $1,322,898 is reduced by unamortized loan cost of $114,252 and $126,790 as of June 30, 2018 and 2017, respectively.	**1,208,646**	1,196,108
Notes payable due to a CDE (Note 5) with semi-annual interest only payments until 2025 at .674%. Semi-annual payments of $78,419 are due starting May 5, 2025 through the maturity date of November 2, 2047. The loan is secured by substantially all the assets acquired by the Organization from the project loan proceeds. The CDE has the option to waive the debt in January 2025 so as to participate in the NMTC Program. Balance of $3,336,278 is reduced by unamortized loan cost of $333,403 June 30, 2018.	**3,002,875**	-
	$ 8.572.914	$ 10,397,005

Future maturities of notes payables are as follows:

Year Ended June 30,	
2019	$ 188,182
2020	188,182
2021	415,232
2022	411,148
2023	410,224
Thereafter	8,883,057
	10,496,025
Less discount	(1,421,169)
Less debt issuance costs	(501,942)
Total	$ 8,572,914

8. Net Assets

Temporarily restricted net assets are available for the following purposes as of June 30:

	2018	**2017**
Home construction	**$ 1,439,750**	$ 1,501,517
Grants	**13,403**	16,976
	$ 1,453,153	$ 1,518,493

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows for June 30:

	2018	2017
Home construction	$ 221,440	$ 4,116,713
Grants	3,573	3,706
	$ 225,013	$ 4,120,419

9. Commitments and Contingencies

The Organization has been named a beneficiary along with five other charitable organizations of a trust with a living beneficiary. The Organization has not recorded this contribution in their revenue as the trustee can, at their discretion, withdraw all funds for the benefit of the living beneficiary. Therefore, the amount of funds, if any, that will be transferred to the Organization at the date that the trust is distributed it is not known

10. Leases

The Organization leases office and ReStore space and equipment through operating leases. The lease agreement includes rent escalation clauses to cover increases in the lessors' operating costs. Rent under the lease will be expensed using the straight-line method.

Future minimum rental payments including the lease renewal are as follows:

Year Ended June 30,	
2019	$ 245,479
2020	264,173
2021	270,405
2022	290,799
2023	297,597
Thereafter	768,791
	$ 2,137,244

Rent expense was $300,384 and $302,524 for the years ended June 30, 2018 and 2017, respectively.