HABITAT FOR HUMANITY
OF GREATER NASHVILLE

FINANCIAL STATEMENTS

June 30, 2015

HABITAT FOR HUMANITY OF GREATER NASHVILLE

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FRASIERDEAN HOWARDCPAs

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 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.

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615.383.6592 • *fax* 615.383.7094 • www.fdhcpa.com

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, 2015, 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 audit was 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* 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, 2015, 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 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 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.

Frasier, Dean & Howard, PLLC

September 23, 2015
Nashville, Tennessee

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FINANCIAL POSITION
June 30, 2015

Assets

Cash and cash equivalents, including escrow accounts of $532,489	$ 2,648,543
Grants receivable	474,528
Sponsor and other receivables	158,344
Contributions receivable, net	25,750
Real estate held for sale	330,334
Construction-in-progress - rehabilitation	976,829
Construction-in-progress - new homes	470,556
Property and equipment, net	464,337
Land held for development	4,152,324
Mortgage notes receivable, net of discounts of $20,510,603	27,052,125
New Markets Tax Credit ("NMTC") intangible assets, net	48,614
NMTC joint venture investment	1,480,880
NMTC joint venture cash	88,445
Other assets	863,372
Total assets	$ 39,234,981

Liabilities and Net Assets

Accounts payable and accrued expenses	$ 390,972
Deferred revenue	1,332,429
Escrow accounts	541,462
Notes payable	15,351,715
NMTC joint venture note payable	1,880,000
Unearned revenue on mortgage loans	4,808,188
Total liabilities	24,304,766
Net assets:	
Unrestricted	4,960,746
Temporarily restricted	9,969,469
Total net assets	14,930,215
Total liabilities and net assets	$ 39,234,981

See accompanying notes.

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

	Unrestricted	Temporarily Restricted	Total
Support and revenue:			
Transfers to homeowners	$ 6,333,399	$ -	$ 6,333,399
Cash contributions	2,484,946	32,000	2,516,946
Grant income	2,085,562	5,000	2,090,562
ReStore sales	1,886,660	-	1,886,660
Interest contributions	-	1,474,622	1,474,622
Mortgage loan discount amortization	783,812	-	783,812
Other income	323,310	-	323,310
In-kind contributions	296,863	-	296,863
Interest income	4,585	-	4,585
NMTC investment income	39,114	-	39,114
	14,238,251	1,511,622	15,749,873
Net assets released from restrictions	717,020	(717,020)	-
Total support and revenue	14,955,271	794,602	15,749,873
Expenses:			
Program services	12,247,822	-	12,247,822
Supporting services	1,816,456	-	1,816,456
Total expenses	14,064,278	-	14,064,278
Change in net assets	890,993	794,602	1,685,595
Net assets at beginning of year	4,069,753	9,174,867	13,244,620
Net assets at end of year	$ 4,960,746	$ 9,969,469	$ 14,930,215

See accompanying notes.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	$ 1,685,595
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Non-cash grants	(739,174)
Non-cash construction costs	1,442,384
Interest contributions	(1,474,622)
Transfers to homeowners	(3,477,757)
Depreciation and amortization	151,544
Bad debt expense	11,874
Net gain on disposal of property	(147,514)
Mortgage loan discount amortization	(783,812)
Amortization of discount on notes payable	605,518
NMTC investment income allocation	(39,114)
Changes in operating assets and liabilities:	
Grants receivable	55,275
Sponsor and other receivables	133,854
Construction-in-progress	228,409
Land held for development	(107,513)
NMTC joint venture cash	19,215
Other assets	35,954
Accounts payable and accrued expenses	111,663
Deferred revenue	33,606
Escrow accounts	(17,001)
Net cash used in operating activities	(2,271,616)
Cash flows from investing activities:	
Improvements to real estate held for sale	(150,124)
Purchases of property and equipment	(105,110)
Proceeds from disposal of property	330,578
Repurchase of mortgages receivable	(684,266)
Mortgage payments received	1,716,931
NMTC joint venture investment distribution	14,301
Net cash provided by investing activities	1,122,310
Cash flows from financing activities:	
Proceeds from issuance of notes payable	4,091,373
Repayments on notes payable	(2,248,776)
Net cash provided by financing activities	1,842,597
Net increase in cash and cash equivalents	693,291
Cash and cash equivalents at beginning of year	1,955,252
Cash and cash equivalents at end of year	$ 2,648,543

See accompanying notes.

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

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

See accompanying notes.

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

NOTE 1 – ORGANIZATION AND PURPOSE

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Income Taxes

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

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Habitat has no tax penalties or interest reported in the accompanying financial statements. Tax years that remain open for examination include the years ended June 30, 2012 through June 30, 2015. Habitat has no uncertain tax positions at June 30, 2015.

Basis of Presentation

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

> **Temporarily restricted net assets** – Net assets subject to donor-imposed stipulations that may or will be met either by actions of Habitat and/or the passage of time. Temporarily restricted net assets at June 30, 2015 consist of contributions received and receivable restricted for home construction, the purchase of land, and the unamortized discount on below market interest rate loan payable.
>
> **Permanently restricted net assets** – Net assets subject to donor-imposed stipulations that they be maintained permanently by Habitat. Habitat has no permanently restricted net assets at June 30, 2015.

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

Use of Estimates

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

Cash Equivalents

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

Home Sales and Mortgage Notes Receivable

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Home Sales and Mortgage Notes Receivable (Continued)

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

Property and Equipment

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

Land Held for Development

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

Deferred Revenue

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

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

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

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

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

Grant Income

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

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

Program Services

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

Advertising

Advertising costs are charged to expense as incurred. Advertising expense totaled $18,789 for the years ended June 30, 2015.

Subsequent Events

Habitat evaluated subsequent events through September 23, 2015, when these financial statements were available to be issued. Habitat is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the filing of this report that would have a material impact on the financial statements.

NOTE 3 – GRANTS RECEIVABLE

A summary of grants receivable as of June 30, 2015 is as follows:

Federal Home Loan Bank	$ 370,250
Foundations and other	104,278
	$ 474,528

NOTE 4 – CONTRIBUTIONS RECEIVABLE

Habitat has included unconditional promises to give as contributions receivable. Contributions are scheduled to be received as follows at June 30, 2015:

Amount receivable within one year	$ 24,150
Amount receivable in 1 to 5 years	1,600
	25,750
Less allowance for uncollectible contributions	-
Contributions receivable, net	$ 25,750

NOTE 5 – CONSTRUCTION-IN-PROGRESS – REHABILITATION

Construction-in-progress—rehabilitation consists of homes purchased with funds provided by The Housing Fund, Inc. in flood impacted areas for the purpose of rehabilitation and sale to qualified partner families. At June 30, 2015, costs accumulated under this agreement totaled $976,829 including capitalized interest on related debt of $16,396.

A summary of rehabilitation activity for 2015 is as follows:

	Number	Costs
Homes under rehabilitation, June 30, 2014	13	$ 1,471,234
Additional costs incurred on beginning inventory		251,334
Homes purchased and started in 2015	5	628,675
Homes closed in 2015	(10)	(1,374,414)
Homes under rehabilitation, June 30, 2015	8	$ 976,829

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

NOTE 6 – CONSTRUCTION-IN-PROGRESS – NEW HOMES

A summary of new home construction activity for 2015 is as follows:

	Number	Costs
New homes under construction, June 30, 2014	15	$ 531,342
Additional costs incurred on beginning inventory		1,073,290
New homes started in 2015	27	2,380,394
New homes closed in 2015	(32)	(3,514,470)
New homes under construction, June 30, 2015	10	$ 470,556

NOTE 7 – PROPERTY AND EQUIPMENT

A summary of property and equipment as of June 30, 2015 is as follows:

Buildings	$ 249,720
Office equipment	211,441
Leasehold improvements	226,421
Vehicles and trailers	321,364
Other	234,650
	1,243,596
Less accumulated depreciation	(779,259)
	$ 464,337

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, 2015:

Park Preserve	$ 3,263,264
Hallmark	459,632
Park at Priest Lake	206,939
Dickson County	116,117
Edison Park	96,372
Wilson County	10,000
	$ 4,152,324

NOTE 9 – MORTGAGE NOTES RECEIVABLE

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

First mortgages	$ 35,883,614
Second mortgages	10,378,400
Third mortgages	1,300,714
	47,562,728
Less unamortized discount	(20,510,603)
	$ 27,052,125

Principal payments due on mortgage notes receivable are as follows:

Year ending June 30,	
2016	$ 1,818,237
2017	1,806,122
2018	1,784,477
2019	1,744,659
2020	1,722,974
Thereafter (including non-paying second and third mortgages of $7,132,351)	38,686,259
Notes receivable at face value	47,562,728
Less: unamortized discount	(20,510,603)
	$ 27,052,125

Following is a table which includes an aging analysis of the recorded investment of past due mortgage notes receivable as of June 30, 2015:

31-60 days past due	$ 423,457
61-90 days past due	-
Greater than 90 days past due	272,074
Total past due	695,531
Current	46,867,197
	$ 47,562,728

NOTE 10 – NEW MARKETS TAX CREDIT INTANGIBLE ASSETS

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

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

Qualified active low income community business ("QALICB") guarantor fee	$ 44,136
NMTC closing costs	27,151
	71,287
Accumulated NMTC amortization	(22,673)
NMTC intangible assets, net	$ 48,614

NOTE 11 – NEW MARKETS TAX CREDIT JOINT VENTURE INVESTMENT

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

The investment in joint venture is accounted for using the equity method and the carrying amount of the investment is increased for Habitat's proportionate share of the joint venture's earnings and decreased for Habitat's proportionate share of the joint venture's losses. The activity of the NMTC joint venture investment during the year ended June 30, 2015 is as follows:

Beginning balance	$ 1,456,067
Capital contributed	-
Distributions received	(14,301)
Share of income	39,114
Ending balance	$ 1,480,880

NOTE 12 – NOTES PAYABLE

Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in total monthly principal installments totaling $71,990 (at June 30, 2015) with varying maturities through July 2045, secured by non-interest bearing first mortgages held by Habitat, with a discounted value of $11,250,675. The notes payable have an undiscounted balance outstanding of $20,702,797 at June 30, 2015. 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 $1,211,308 has been recognized in 2015 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2015 amounted to $9,452,122.	$ 11,250,675
Note payable to bank, secured by certain real property held for development. Principal payment of $135,000 was due on June 30, 2015, with interest accruing at the bank's base rate (as defined) less 4.0% (0% at June 30, 2015) on unpaid principal balance maturing December 2016.	1,457,700
Notes payable to The Housing Fund, Inc. secured by certain real property, bearing interest at 3%, payable in 120 to 180 equal monthly principal installments ranging from $195 to $617, through approximately December 2030.	1,090,073
Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from $78 to $3,125 through June 2021.	546,343
Notes payable to bank secured by mortgages receivable, bearing interest at 2%, payable in monthly installments totaling $1,000, maturing November 2037 through November 2038.	220,598

NOTE 12 – NOTES PAYABLE (Continued)

Notes payable to bank secured by mortgages receivable, bearing interest at 1.80%, payable in monthly principal and interest installments totaling \$2,609, maturing at multiple times through August 2043. The notes payable have been discounted using a rate of 2.7% representing the difference between a market rate of 4.5% and the nominal rate of the notes. The notes have an undiscounted balance outstanding at June 30, 2015 of \$547,166. Contribution revenue of \$130,394 has been recognized in 2015 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2015 amounted to \$126,458.	420,708
Notes payable to bank secured by mortgages receivable, bearing interest at 1.80%, payable in monthly principal and interest installments totaling \$2,020, maturing at multiple times through March 2042. The notes payable have been discounted using a rate of 2.7% representing the difference between a market rate of 4.5% and the nominal rate of the notes. The notes have an undiscounted balance outstanding at June 30, 2015 of \$494,726. Contribution revenue of \$132,920 has been recognized in 2015 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense on the straight-line method over the respective terms of the notes. The unamortized discount at June 30, 2015 amounted to \$129,108.	365,618
	\$ 15,351,715

NOTE 12 – NOTES PAYABLE (Continued)

Future principal maturities of notes payable are as follows:

Year ending June 30,	
2016	$ 1,152,627
2017	2,618,389
2018	1,153,172
2019	1,058,174
2020	1,041,586
Thereafter	18,035,455
Total principal maturities	25,059,403
Amounts representing imputed interest	(9,707,688)
	$ 15,351,715

NOTE 13 – LINE OF CREDIT

Habitat has a $950,000 unsecured line of credit agreement with a bank bearing interest at the bank's index rate plus 1% (4.25% at June 30, 2015). The line of credit has a maturity date of November 2015. Management intends to renew the line of credit agreement with its bank. At June 30, 2015, no borrowings were outstanding under the line of credit agreement.

NOTE 14 – NEW MARKETS TAX CREDIT JOINT VENTURE NOTE PAYABLE

Habitat has a loan payable to CCM Community Development XXVII, LLC ("CCM"), a community development entity, dated August 31, 2012 as part of the NMTC transaction. It is a 15-year loan bearing interest at 0.76% with semi-annual interest-only payments commencing on November 10, 2012 and continuing until November 10, 2020. Principal and interest payments are to commence on November 10, 2020 due semi-annually to then fully amortize the principal balance over an 8-year period, maturing May 10, 2028. The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the joint venture's related parties that is expected to be exercised in 2020 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2014 and 2013 is $1,880,000.

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

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

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

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

NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consist principally of contributions restricted for future programs or improvements to existing programs. Significant components include the following at June 30, 2015:

Unamortized discount on notes payable	$ 9,707,688
Donor restricted contribution	252,994
Contributions receivable, net	8,787
	$ 9,969,469

NOTE 16 – CONCENTRATIONS

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

NOTE 17 – COMMITMENTS AND CONTINGENCIES

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

Habitat leases certain office and warehouse space and equipment under leasing arrangements classified as operating leases. Rent expense under such arrangements amounted to $439,159 for the year ended June 30, 2015.

NOTE 17 – COMMITMENTS AND CONTINGENCIES (Continued)

A summary of future minimum rental payments as of June 30, 2015 is as follows:

Year ending June 30,	
2016	$ 421,972
2017	187,830
2018	32,814
2019	9,367
	$ 651,983

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

NOTE 18 – IN-KIND CONTRIBUTIONS

In-kind contributions received by Habitat are recorded based on their estimated value on the date of receipt. A summary of in-kind contributions is as follows for the year ended June 30, 2015:

Building supplies and home appliances	$ 288,365
Donated services	8,498
	$ 296,863

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

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

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

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

Balances related to the agreement in the accompanying financial statements are as follows at June 30, 2015:

Grants receivable	$ 42,277
Construction-in-progress - rehabilitation	$ 976,829
Deferred revenue	$ 563,009
Notes payable	$ 1,090,073
Grant income	$ 1,162,525

NOTE 20 – RETIREMENT PLAN

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

NOTE 21 – SUPPLEMENTAL CASH FLOW INFORMATION

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

Supplemental Cash Flow Information

Interest paid	$ 56,100

Supplemental Schedule of Non-Cash Investing and Financing Activities

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

NOTE 22 – RELATED PARTIES

At June 30, 2015, Habitat owed notes payable totaling $1,952,426 to financial institutions which have four executives that serve on Habitat's board of directors.

Habitat receives voluntary cash 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, 2015, Habitat contributed $68,993 to Habitat International. At June 30, 2015, the accompanying statement of financial position included tithe payable to Habitat International of $26,940.

Habitat has received Self-Help Homeownership Opportunity Program ("SHOP") funds from Habitat International. 75% of the funds received were in the form of a grant with the remaining 25% repayable under non-interest bearing four year notes payable. During the year ended June 30, 2015, Habitat received $406,362 of SHOP funds. At June 30, 2015, the balances of the loans totaled $546,343.

SUPPLEMENTAL INFORMATION

HABITAT FOR HUMANITY OF GREATER NASHVILLE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

Federal Grantor	Program Name	CFDA Number	Receivable June 30, 2014	Cash Receipts	Expenditures	Receivable June 30, 2015
U.S. Department of Housing and Urban Development						
Passed through Habitat for Humanity International, Inc.						
	Self-Help Homeownership Opportunity Program	14.247	$ -	$ 406,362	$ 406,362	$ -
Passed through The Housing Fund, Inc.						
	Community Development Block Grants/ Entitlement Grants	14.218+	132,589	1,361,404	1,271,092	42,277
Total U.S. Department of Housing and Urban Development			132,589	1,767,766	1,677,454	42,277
Total federal awards			$ 132,589	$ 1,767,766	$ 1,677,454	$ 42,277

\+ Indicates a major program

NOTE 1 - BASIS OF ACCOUNTING

The Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting.

INDEPENDENT AUDITOR'S REPORT 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*

The Board of Directors of
Habitat for Humanity of Greater Nashville
Nashville, Tennessee

We have audited, 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, the financial statements of Habitat for Humanity of Greater Nashville (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, 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, 2015.

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 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.

Frasier, Dean & Howard, PLLC • 3310 West End Avenue, Suite 550 • Nashville, Tennessee 37203-1089 • 615.383.6592 • *fax* 615.383.7094 • www.fdhcpa.com

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 the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Fraser, Dun + Hand, PLLC

September 23, 2015
Nashville, Tennessee

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

The Board of Directors of
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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

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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, 2015.

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 OMB Circular A-133, 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 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 or our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Frasier, Dean & Howard, PLLC

September 23, 2015
Nashville, Tennessee

HABITAT FOR HUMANITY OF GREATER NASHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

SUMMARY OF AUDITOR'S RESULTS

Financial Statements:

Type of auditor's report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness(es) identified?	______	Yes	x	No
Significant deficiency(ies) identified?	______	Yes	x	None reported
Noncompliance material to financial statements noted?	______	Yes	x	No

Federal Awards:

Internal control over major programs:				
Material weakness(es) identified?	______	Yes	x	No
Significant deficiency(ies) identified?	______	Yes	x	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified			
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	______	Yes	x	No

Programs tested as major programs were:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grants/ Entitlement Grants

Dollar threshold used to distinguish between type A and type B programs:	$ 300,000			
Auditee qualified as low-risk auditee?	x	Yes	______	No

HABITAT FOR HUMANITY OF GREATER NASHVILLE
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
For the Year Ended June 30, 2015

FINDINGS – FINANCIAL STATEMENTS AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE