

HABITAT FOR HUMANITY OF GREATER NASHVILLE

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2025 and 2024

And Report of Independent Auditor

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Report of Independent Auditor

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

Opinion

We have audited the accompanying financial statements of Habitat for Humanity of Greater Nashville (“Habitat”) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Habitat as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Habitat and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat’s ability to continue as a going concern within one year after the date the financial statements are available to be issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Habitat's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Habitat's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Cherry Bekaert LLP

Nashville, Tennessee
December 10, 2025

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
ASSETS		
Cash and cash equivalents, including escrow accounts of \$1,500 and \$254,500, respectively	\$ 15,755,571	\$ 10,422,872
Grants receivable	622,857	2,911,683
Sponsor and other receivables, net of allowance of \$91,902 and \$85,030, respectively	237,106	715,406
Inventory - ReStores and other	1,092,538	1,169,702
Construction-in-progress - new homes	5,525,061	6,070,887
Land held for development	9,869,894	10,176,842
Mortgage notes receivable, net of discounts of \$31,420,400 and \$29,081,359, respectively	40,527,712	37,579,754
New Markets Tax Credit intangible assets, net	30,340	55,533
New Markets Tax Credit joint venture investment	1,106,278	2,307,652
New Markets Tax Credit joint venture cash	18,197	36,787
Right-of-use assets	343,546	487,815
Other assets	295,692	441,965
Property and equipment, net	13,854,053	14,111,728
Total Assets	<u><u>\$ 89,278,845</u></u>	<u><u>\$ 86,488,626</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 3,544,938	\$ 3,654,621
Deferred revenue	3,531,756	2,207,572
Escrow accounts	6,021	2,445
Notes payable, secured by mortgages, net of unamortized discount	21,986,402	20,424,401
Note payable, secured by real property	4,876,377	8,976,618
Notes payable, unsecured	406,158	398,507
New Markets Tax Credit joint venture note payable, net of issuance costs	1,459,356	3,134,336
Lease liabilities	359,921	501,281
Unearned revenue on mortgage loans	4,375,413	4,283,166
Total Liabilities	<u>40,546,342</u>	<u>43,582,947</u>
Net Assets:		
Net assets without donor restrictions	30,963,802	25,718,926
Net assets with donor restrictions	17,768,701	17,186,753
Total Net Assets	<u>48,732,503</u>	<u>42,905,679</u>
Total Liabilities and Net Assets	<u><u>\$ 89,278,845</u></u>	<u><u>\$ 86,488,626</u></u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2025

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Transfers to homeowners	\$ 9,335,240	\$ -	\$ 9,335,240
Grant income	6,981,958	150,000	7,131,958
Contributions	4,013,920	222,521	4,236,441
ReStore sales	4,737,626	-	4,737,626
Mortgage loan discount amortization	1,675,319	-	1,675,319
Contribution from discount on notes payable issued	-	2,036,371	2,036,371
Other income	267,435	-	267,435
Contributions of nonfinancial assets	4,348,739	-	4,348,739
Interest income	530,142	-	530,142
New Markets Tax Credit investment income	11,118	-	11,118
Gain on cancellation of debt	520,295	-	520,295
	<u>32,421,792</u>	<u>2,408,892</u>	<u>34,830,684</u>
Net assets released from restrictions	<u>1,826,944</u>	<u>(1,826,944)</u>	<u>-</u>
Total Support and Revenue	<u>34,248,736</u>	<u>581,948</u>	<u>34,830,684</u>
Expenses:			
Program services	26,093,758	-	26,093,758
Supporting services	2,910,102	-	2,910,102
Total Expenses	<u>29,003,860</u>	<u>-</u>	<u>29,003,860</u>
Change in net assets	5,244,876	581,948	5,826,824
Net assets, beginning of year	<u>25,718,926</u>	<u>17,186,753</u>	<u>42,905,679</u>
Net assets, end of year	<u>\$ 30,963,802</u>	<u>\$ 17,768,701</u>	<u>\$ 48,732,503</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2024

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Support and Revenue:			
Transfers to homeowners	\$ 8,777,640	\$ -	\$ 8,777,640
Grant income	4,607,973	175,000	4,782,973
Contributions	3,545,268	688,947	4,234,215
ReStore sales	3,613,536	-	3,613,536
Mortgage loan discount amortization	1,543,269	-	1,543,269
Contribution from discount on notes payable issued	-	2,365,079	2,365,079
Other income	979,314	-	979,314
Contributions of nonfinancial assets	4,207,736	-	4,207,736
Interest income	416,334	-	416,334
New Markets Tax Credit investment income	23,192	-	23,192
	<u>27,714,262</u>	<u>3,229,026</u>	<u>30,943,288</u>
Net assets released from restrictions	1,253,783	(1,253,783)	-
Total Support and Revenue	<u>28,968,045</u>	<u>1,975,243</u>	<u>30,943,288</u>
Expenses:			
Program services	23,791,758	-	23,791,758
Supporting services	2,653,373	-	2,653,373
Total Expenses	<u>26,445,131</u>	<u>-</u>	<u>26,445,131</u>
Change in net assets	2,522,914	1,975,243	4,498,157
Net assets, beginning of year	23,196,012	15,211,510	38,407,522
Net assets, end of year	<u>\$ 25,718,926</u>	<u>\$ 17,186,753</u>	<u>\$ 42,905,679</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2025

	Program Services				Supporting Services				Total
	Construction	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services	
Construction costs - new homes	\$ 8,111,605	\$ -	\$ -	\$ -	\$ 8,111,605	\$ -	\$ -	\$ -	\$ 8,111,605
Salaries and related expenses	1,269,517	889,192	-	2,584,104	4,742,813	1,120,152	555,790	1,675,942	6,418,755
Mortgage discounts	-	-	4,053,917	-	4,053,917	-	-	-	4,053,917
Costs of ReStore sales	-	-	-	4,489,566	4,489,566	-	-	-	4,489,566
Interest and discount amortization	994,178	11,953	-	136,851	1,142,982	26,958	30,527	57,485	1,200,467
Office expenses	84,098	127,012	-	351,184	562,294	154,206	17,063	171,269	733,563
Depreciation	91,883	49,561	-	360,129	501,573	79,456	23,521	102,977	604,550
Contribution to Parkwood Collaboration	575,864	-	-	-	575,864	-	-	-	575,864
Small tools and equipment	83,433	219	-	23,597	107,249	25,860	42,989	68,849	176,098
Legal and professional	192,442	23,326	-	383	216,151	38,651	133,143	171,794	387,945
Down payment and mortgage assistance	-	377,500	-	-	377,500	-	-	-	377,500
Taxes and insurance	78,115	23,360	-	121,339	222,814	30,243	10,781	41,024	263,838
Other	49,583	62,519	-	32,950	145,052	10,765	132,205	142,970	288,022
Lease expense	51,522	185	-	185,735	237,442	3,577	129	3,706	241,148
Repairs and maintenance	75,145	10,253	-	80,404	165,802	19,643	6,918	26,561	192,363
Bank and credit card fees	40,896	379	-	83,866	125,141	12,310	10,137	22,447	147,588
Recruiting and training	14,545	6,281	-	12,078	32,904	78,611	33,098	111,709	144,613
Travel, meals, and entertainment	14,341	3,448	-	13,661	31,450	61,032	23,203	84,235	115,685
Vehicle expenses	51,272	669	-	45,360	97,301	5,479	1,067	6,546	103,847
Tithe to Habitat International	91,773	-	-	-	91,773	-	-	-	91,773
Printing and public relations	1,891	10,430	-	20,015	32,336	58,850	37	58,887	91,223
New Markets Tax Credit amortization	-	-	-	-	-	-	59,737	59,737	59,737
Advertising	1,613	2,120	-	23,000	26,733	28,080	414	28,494	55,227
Special events	-	-	-	-	-	51,820	-	51,820	51,820
Sponsor and volunteer appreciation	141	-	-	3,355	3,496	23,158	492	23,650	27,146
	<u>\$ 11,873,857</u>	<u>\$ 1,598,407</u>	<u>\$ 4,053,917</u>	<u>\$ 8,567,577</u>	<u>\$ 26,093,758</u>	<u>\$ 1,828,851</u>	<u>\$ 1,081,251</u>	<u>\$ 2,910,102</u>	<u>\$ 29,003,860</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2024

	Program Services				Supporting Services				Total
	Homeowner Support and Educational Ministries	Discounts on Mortgage Originations	ReStore Operations	Total Program Services	Fundraising	Management and General	Total Supporting Services		
Construction costs - new homes	\$ 7,713,254	\$ -	\$ -	\$ -	\$ 7,713,254	\$ -	\$ -	\$ -	\$ 7,713,254
Salaries and related expenses	1,168,751	861,625	-	2,090,491	4,120,867	1,035,394	506,108	1,541,502	5,662,369
Mortgage discounts	-	-	3,823,431	-	3,823,431	-	-	-	3,823,431
Costs of ReStore sales	-	-	-	3,459,895	3,459,895	-	-	-	3,459,895
Interest and discount amortization	955,046	13,841	-	68,711	1,037,598	26,028	44,333	70,361	1,107,959
Contribution to Parkwood Collaboration	865,678	-	-	-	865,678	-	-	-	865,678
Office expenses	91,240	106,821	-	325,577	523,638	117,735	81,529	199,264	722,902
Depreciation	92,181	33,230	-	213,991	339,402	65,807	23,603	89,410	428,812
Legal and professional	238,859	19,043	-	3,492	261,394	35,527	117,521	153,048	414,442
Down payment and mortgage assistance	-	314,500	-	-	314,500	-	-	-	314,500
Other	11,123	68,601	-	37,645	117,369	11,716	54,263	65,979	183,348
Taxes and insurance	67,408	18,633	-	128,648	214,689	31,306	9,295	40,601	255,290
Small tools and equipment	62,941	1,274	-	143,445	207,660	19,736	1,166	20,902	228,562
Repairs and maintenance	90,880	5,152	-	39,380	135,412	11,878	4,349	16,227	151,639
Lease expense	85,113	109	-	184,706	269,928	3,473	76	3,549	273,477
Travel, meals, and entertainment	15,724	3,553	-	16,376	35,653	81,614	27,358	108,972	144,625
Recruiting and training	10,651	3,325	-	13,231	27,207	84,616	20,442	105,058	132,265
Bank and credit card fees	25,395	1,380	-	65,306	92,081	14,263	12,247	26,510	118,591
Tithe to Habitat International	99,761	-	-	-	99,761	-	-	-	99,761
Vehicle expenses	38,560	654	-	48,247	87,461	5,204	-	5,204	92,665
Printing and public relations	1,350	5,146	-	8,811	15,307	59,901	-	59,901	75,208
Advertising	956	637	-	19,156	20,749	39,023	392	39,415	60,164
Sponsor and volunteer appreciation	3,147	25	-	5,652	8,824	31,865	1,560	33,425	42,249
New Markets Tax Credit amortization	-	-	-	-	-	-	34,561	34,561	34,561
Special events	-	-	-	-	-	39,484	-	39,484	39,484
	<u>\$ 11,638,018</u>	<u>\$ 1,457,549</u>	<u>\$ 3,823,431</u>	<u>\$ 6,872,760</u>	<u>\$ 23,791,758</u>	<u>\$ 1,714,570</u>	<u>\$ 938,803</u>	<u>\$ 2,653,373</u>	<u>\$ 26,445,131</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2025 AND 2024

	<u>2025</u>	<u>2024</u>
Cash flows from operating activities:		
Change in net assets	\$ 5,826,824	\$ 4,498,157
Adjustments to reconcile change in net assets to net cash flows used in operating activities:		
Contribution from discount on notes payable issued	(2,036,371)	(2,365,079)
Transfers to homeowners	(4,903,823)	(4,639,709)
Depreciation and amortization	664,287	463,373
Bad debt expense	10,295	14,983
Gain on disposal of property and equipment	10,421	(680,153)
Noncash lease expense	10,776	18,954
Mortgage loan discount amortization	(1,675,319)	(1,543,269)
Amortization of discount on notes payable and issuance costs	982,655	944,488
New Markets Tax Credit investment income allocation	(11,118)	(23,192)
Gain on cancellation of New Markets Tax Credit financing	(520,295)	-
Changes in operating assets and liabilities:		
Grants receivable	2,288,826	(1,618,645)
Sponsor and other receivables	468,005	(601,734)
Construction-in-progress - new homes	545,826	(2,120,628)
Land held for development	(37,822)	(2,628,578)
Inventory - ReStores and other	77,164	(314,941)
Other assets	146,273	(98,047)
Accounts payable and accrued expenses	(109,683)	925,749
Deferred revenue	1,324,184	(688,593)
Escrow accounts	3,576	(31,386)
Net cash flows from operating activities	<u>3,064,681</u>	<u>(10,488,250)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(357,681)	(3,230,727)
Proceeds from sale of property and equipment	2,500	898,250
Proceeds from sale of land held for development	347,655	-
Mortgage payments received	3,723,434	3,215,457
New Markets Tax Credit joint venture investment net distribution	17,787	23,192
Net cash flows from investing activities	<u>3,733,695</u>	<u>906,172</u>
Cash flows from financing activities:		
Proceeds from issuance of notes payable	4,904,039	9,350,665
Principal payments on financing lease liabilities	(12,870)	(12,359)
Repayments on notes payable	(6,375,436)	(2,467,099)
Net cash flows from financing activities	<u>(1,484,267)</u>	<u>6,871,207</u>
Net change in cash, cash equivalents, and NMTC joint venture cash	5,314,109	(2,710,871)
Cash, cash equivalents, and NMTC joint venture cash, beginning of year	10,459,659	13,170,530
Cash, cash equivalents, and NMTC joint venture cash, end of year	<u>\$ 15,773,768</u>	<u>\$ 10,459,659</u>
Cash and cash equivalents, including escrow accounts, end of year	\$ 15,755,571	\$ 10,422,872
New Markets Tax Credit joint venture cash, end of year	18,197	36,787
	<u>\$ 15,773,768</u>	<u>\$ 10,459,659</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 1—Organization and purpose

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

Note 2—Summary of significant accounting policies

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

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of Habitat. These net assets may be used at the discretion of Habitat’s management and the Board of Directors.

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Habitat or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions represent unamortized discount on notes payable, contributions receivable, and amounts available for programs.

Contributions – Contributions are recognized when the donor makes a promise to give to Habitat that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions based on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. Contributed land and equipment are recorded at estimated fair value at the date of the donation. Contributions of nonfinancial assets (primarily Restore inventory, construction materials, and land for development) are recorded based on their estimated value on the date of receipt.

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

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

Grants received from governmental agencies are generally recognized as related costs are incurred.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

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

Habitat follows guidance that clarifies the accounting for uncertainty in income taxes recognized in an organization’s financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Habitat has no uncertain tax positions as of June 30, 2025 or 2024.

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

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

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

Home Sales and Mortgage Notes Receivable – Transfers to homeowners are recorded at the gross amount of payments to be received over the lives of the mortgage notes receivable. These mortgage payments do not include interest and, accordingly, the mortgages have been discounted at various interest rates based upon prevailing market rates at the inception of the mortgages. Discounts are amortized over the lives of the mortgages. The discounted value of mortgages at the time of sale is generally less than the home’s fair market value. Therefore, management believes losses resulting from non-payment of mortgages are not reasonably probable and, accordingly, no allowance for credit loss 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. As of June 30, 2025 and 2024, there were no foreclosures.

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

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 3 to 39 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.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 2—Summary of significant accounting policies (continued)

Inventory – Inventory consists primarily of donated home furnishings and building and home improvement materials which are sold in the ReStores. In-kind inventory is recorded at its estimated market value when received and is recorded as contributions of nonfinancial assets.

Deferred Revenue – Deferred revenue consists of deposits received on conditional promises to give from sponsors of future home building and totaled \$3,531,756 and \$2,207,572 at June 30, 2025 and 2024, respectively.

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

Program Services – Program services include construction, ReStore operations, homeowner support, and educational ministries, and the discounts on mortgage originations. The cost of home building is charged to program services upon transfer to the homeowner. Program services include the cost of new homes transferred, which have an average cost of \$245,806 and \$248,815 for the years ended June 30, 2025 and 2024, respectively.

Advertising – Advertising costs are charged to expense as incurred. Advertising expense totaled \$55,227 and \$60,164 for the years ended June 30, 2025 and 2024, respectively.

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

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

Leases – Habitat follows Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2016-02, *Leases (Topic 842)*, which requires that Habitat recognize right-of-use (“ROU”) assets and lease liabilities for operating leases on the statement of financial position. Leased property meeting certain criteria is capitalized and the present value of the related lease payments is recorded as a liability. Amortization of capitalized leased assets is computed using the straight-line method over the term of the lease. ROU assets recorded by Habitat were \$343,546 and \$487,815 as of June 30, 2025 and 2024, respectively.

Subsequent Events – Habitat evaluated subsequent events through December 10, 2025, when these financial statements were available to be issued. Effective September 10, 2025, Habitat executed a purchase agreement for property to be developed for consideration totaling \$2,150,000.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 3—Revenue recognition

Revenue is recognized when Habitat transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Performance Obligations and Revenue Recognition – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account. The transaction price is allocated to each distinct performance obligation and recognized as revenue, when, or as, the performance obligation is satisfied. The contract obligation for transfers to homeowners and ReStore sales is generally satisfied at the time these services are provided or when a good is transferred to the customer.

Home Sales – A portion of the Habitat’s revenue is derived from home sales during the year. Due to the nature of contracts, there is no variable consideration and only one performance obligation. Such revenue is conditioned upon meeting a certain performance obligation, and amounts received are recognized as revenue once the requirement has been met. Once construction is complete on a home and closing procedures have been completed, buyers take possession of the home and the performance obligation is considered to have been met. Each house sold has a defined purchase price. Contracts are considered to have commercial substance as they all involve a cash down payment and a signed promissory note, which is paid in accordance with the note terms. This is shown as transfers to homeowners on the accompanying statements of activities.

ReStore Sales – A portion of the Organization’s revenue is derived from ReStore sales during the year. Such revenue is conditioned upon meeting one performance obligation, the sale transaction is completed at a ReStore location, and amounts received are recognized as revenue once the sale has been made. Once the sale is made, customers take possession of the goods purchased. These transactions are considered to be contracts with customers as they have commercial substance through the transaction of cash payment in return for the goods purchased. Due to the nature of these transactions, there is no variable consideration and only one performance obligation.

Note 4—Liquidity and availability of resources

Habitat regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, Habitat considers all expenditures related to its ongoing activities of bringing people together to build homes, communities, and hope, as well as the conduct of services undertaken to support those activities to be general expenditures.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following at June 30:

	<u>2025</u>	<u>2024</u>
Financial assets:		
Cash and cash equivalents, less escrow accounts	\$ 15,754,071	\$ 10,168,372
Grants receivable due in one year	622,857	2,911,683
Sponsor and other receivables	<u>237,106</u>	<u>665,364</u>
Total financial assets, at year-end	16,614,034	13,745,419
Less amounts unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	<u>(425,212)</u>	<u>(902,460)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 16,188,822</u>	<u>\$ 12,842,959</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 5—Grants receivable

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

	<u>2025</u>	<u>2024</u>
Habitat for Humanity of Tennessee	\$ 266,544	\$ 1,090,296
Employee Retention Credit receivable	-	740,021
Foundations and other	356,313	1,081,366
	<u>\$ 622,857</u>	<u>\$ 2,911,683</u>

Note 6—Sponsor and other receivables

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

	<u>2025</u>	<u>2024</u>
Unconditional promises to give	\$ 329,008	\$ 800,436
Less allowance for uncollectible contributions	(91,902)	(85,030)
Net unconditional promises to give	237,106	715,406
Less amounts receivable in less than one year, net	(237,106)	(715,406)
Receivable in one to five years, net	<u>\$ -</u>	<u>\$ -</u>

Note 7—Construction-in-progress – new homes

A summary of new home construction activity for 2025 is as follows:

	<u>Number</u>	<u>Costs</u>
New homes under construction, June 30, 2024	35	\$ 6,070,887
Additional costs incurred on beginning inventory		2,502,703
New homes started in 2025	32	5,063,076
New homes closed in 2025	(33)	(8,111,605)
New homes under construction, June 30, 2025	<u>34</u>	<u>\$ 5,525,061</u>

A summary of new home construction activity for 2024 is as follows:

	<u>Number</u>	<u>Costs</u>
New homes under construction, June 30, 2023	37	\$ 3,950,250
Additional costs incurred on beginning inventory		5,067,415
New homes started in 2024	29	4,766,467
New homes closed in 2024	(31)	(7,713,254)
New homes under construction, June 30, 2024	<u>35</u>	<u>\$ 6,070,878</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 8—Property and equipment

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

	<u>2025</u>	<u>2024</u>
Land and land improvements	\$ 4,644,203	\$ 4,644,203
Buildings	10,261,494	10,242,779
Office equipment	802,760	783,694
Leasehold improvements	99,675	99,675
Vehicles and trailers	723,471	695,023
Other	530,203	309,547
	<u>17,061,806</u>	<u>16,774,921</u>
Less accumulated depreciation	<u>(3,207,753)</u>	<u>(2,663,193)</u>
	<u><u>\$ 13,854,053</u></u>	<u><u>\$ 14,111,728</u></u>

Note 9—Land held for development

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

	<u>2025</u>	<u>2024</u>
Hamilton Hills	\$ 1,387,634	\$ 1,317,436
Bella Terra	2,024,133	1,700,423
Wilson County - Hunters Point	-	350,000
Dickson County	48,970	67,952
Cheatham County	152,125	118,673
Sherwood Homes at Park Preserve	-	1,245,084
Parkwood Collaboration	973,430	663,430
Robertson County	59,841	11,453
Stoney Brook	4,677,518	4,495,868
Wilson County - South Maple	293,317	206,523
Goodlettsville	252,926	-
	<u><u>\$ 9,869,894</u></u>	<u><u>\$ 10,176,842</u></u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 10—Mortgage notes receivable

At June 30, 2025 and 2024, Habitat holds mortgage notes receivable totaling \$71,948,112 and \$66,661,113, respectively, at face value generally with original maturities of 30 years. The notes are non-interest bearing mortgages, payable in equal monthly installments, and are secured by deeds of trust on the properties. The notes have been discounted at various interest rates ranging from 4.5% to 9.0% over the lives of the mortgages. Mortgages are reported net of unamortized discount.

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

	<u>2025</u>	<u>2024</u>
First mortgages	\$ 53,307,707	\$ 49,581,190
Second mortgages	15,568,852	14,283,367
Third mortgages	3,061,553	2,786,556
Fourth mortgages	<u>10,000</u>	<u>10,000</u>
	71,948,112	66,661,113
Less unamortized discount	<u>(31,420,400)</u>	<u>(29,081,359)</u>
	<u>\$ 40,527,712</u>	<u>\$ 37,579,754</u>

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

	<u>2025</u>	<u>2024</u>
31 - 60 days past due	\$ 542,733	\$ 866,681
61 - 90 days past due	194,138	430,844
Greater than 90 days past due	<u>382,079</u>	<u>240,539</u>
Total past due	1,118,950	1,538,064
Current	<u>70,829,162</u>	<u>65,123,049</u>
	<u>\$ 71,948,112</u>	<u>\$ 66,661,113</u>

Principal payments due on mortgage notes receivable are as follows:

Years Ending June 30,

2026	
2027	\$ 2,665,762
2028	2,965,566
2029	3,010,291
2030	3,025,940
Thereafter (including non-paying second and third mortgages of \$5,345,705)	<u>3,008,310</u> <u>57,272,243</u>
Notes receivable at face value	71,948,112
Less unamortized discount	<u>(31,420,400)</u>
	<u>\$ 40,527,712</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 11—New Market Tax Credits intangible assets

Habitat incurred \$27,125 in guarantor fees, \$13,333 in audit fees, \$64,400 in asset management fees, and \$26,250 in consulting fees related to its New Markets Tax Credit (“NMTC”) financing in December 2017, to be amortized over seven years, the period to which the assets apply. Habitat incurred \$13,972 in qualified active low income community business (“QALICB”) services, \$20,000 in audit fees, \$53,554 in asset management fees, and \$23,284 in consulting fees related to its NMTC financing in June 2020, to be amortized over seven years, the period to which the assets apply. The intangible assets represent fees paid to the third party administrator in the transaction, who is responsible for ensuring Habitat performs and complies with all aspects of the transaction requirements.

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

	<u>2025</u>	<u>2024</u>
QALICB guarantor fee	\$ 13,972	\$ 41,096
CDE audit fee	20,000	33,333
Asset management fee	53,554	117,954
Consulting fee	<u>23,284</u>	<u>49,534</u>
Total NMTC intangible assets	110,810	241,917
Accumulated NMTC amortization	<u>(80,470)</u>	<u>(186,384)</u>
NMTC intangible assets, net	<u>\$ 30,340</u>	<u>\$ 55,533</u>

In December 2017, Habitat invested, along with five other Habitat affiliates, in a partnership, Harbor Habitat Leverage II, LLC (“HHL”), with 16.6667% ownership to take advantage of NMTC financing. Habitat invested a combination of cash and construction in progress totaling \$1,207,410, enabling it to secure a 20-year loan in the amount of \$1,715,000 payable to Harbor Community Fund XIII, LLC (“HCF”), a community development entity. The loan proceeds are to be used solely for the purpose of constructing and selling qualified housing properties to low-income residents. During 2025, this NMTC unwound and the remaining intangible assets were written off.

The investment in partnership was accounted for using the equity method and the carrying amount of the investment was 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 years ended June 30 is as follows:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 1,201,374	\$ 1,201,374
Distributions received	(1,721,669)	(12,074)
Share of income	<u>520,295</u>	<u>12,074</u>
Ending balance	<u>\$ -</u>	<u>\$ 1,201,374</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 11—New Market Tax Credits intangible assets (continued)

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

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

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 1,106,278	\$ 1,106,278
Distributions received	(11,118)	(11,118)
Share of income	11,118	11,118
Ending balance	<u>\$ 1,106,278</u>	<u>\$ 1,106,278</u>

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

	<u>2025</u>		<u>2024</u>	
	<u>Harbor Habitat Leverage II, LLC</u>	<u>Harbor Habitat Leverage III, LLC</u>	<u>Harbor Habitat Leverage II, LLC</u>	<u>Harbor Habitat Leverage III, LLC</u>
Assets:				
Notes receivable	\$ -	\$ 4,447,352	\$ 7,244,463	\$ 4,447,352
Total assets	<u>\$ -</u>	<u>\$ 4,447,352</u>	<u>\$ 7,244,463</u>	<u>\$ 4,447,352</u>

At June 30, 2025 and 2024, both Harbor Habitat Leverage II, LLC and Harbor Habitat Leverage III, LLC had no liabilities and minimal activity, apart from the unwind of Harbor Habitat Leverage II, LLC.

Note 12—Notes payable

	<u>2025</u>	<u>2024</u>
Notes payable to Tennessee Housing Development Agency, non-interest bearing, payable in monthly principal installments totaling \$107,376 (at June 30, 2025) with varying maturities through May 2054, secured by non-interest bearing first mortgages held by Habitat, with a discounted value of \$15,069,240. The notes have an undiscounted balance outstanding of \$27,707,845 and \$26,181,856 at June 30, 2025 and 2024, respectively. Discount rates ranging from 4.5% to 5.25% were applied to arrive at net present value of the notes payable at issuance. Contribution revenue of \$1,443,420 and \$1,863,570 has been recognized in 2025 and 2024, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$12,638,605 and \$11,964,906, respectively.	\$ 15,069,240	\$ 14,216,950
Notes payable to Habitat International, non-interest bearing, payable in monthly principal installments ranging from \$72 to \$2,395 through July 2030.	406,158	398,507

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 12—Notes payable (continued)

	<u>2025</u>	<u>2024</u>
Notes payable to The Housing Fund, Inc. secured by certain real property, non-interest bearing, payable in 120 to 180-equal monthly principal installments of \$282 to \$549, through June 2030. The notes have been discounted using a rate of 4.5%. Contribution revenue of \$104,819 was recognized in 2018 to present the difference between the present value of the notes payable and their undiscounted balances of \$371,818 and \$428,184, at June 30, 2025 and 2024, respectively. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$84,075 and \$100,719, respectively.	\$ 287,743	\$ 327,465
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$7,793, maturing at various times through March 2057. The notes payable have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2025 and 2024 of \$2,220,523 and \$1,883,973, respectively. Contribution revenue of \$144,985 and \$66,093 was recognized in 2025 and 2024, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$853,295 and \$748,354, respectively.	1,367,228	1,135,619
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$2,440, maturing at various times through July 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2025 and 2024 of \$608,757 and \$638,042, respectively. Contribution revenue of \$440,844 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$265,470 and \$278,258, respectively.	343,287	359,784
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$1,757, maturing at various times through June 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2025 and 2024 of \$396,374 and \$417,453, respectively. Contribution revenue of \$231,484 was recognized in 2018 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$165,921 and \$174,620, respectively.	230,453	242,833

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 12—Notes payable (continued)

	<u>2025</u>	<u>2024</u>
Note payable to bank, secured by certain real property with a net book value of \$4,495,868 at June 30, 2024, at an interest rate of 7.45%, with interest only payments due through maturity in June 2025.	\$ -	\$ 3,750,000
Note payable to bank, secured by certain real property with a net book value of \$6,496,294 at June 30, 2025, at a variable interest rate of 4% below prime (3.5% at June 30, 2025), with 82-monthly principal payments of \$26,333 and a balloon payment of the unpaid principal in July 2030.	1,930,662	2,246,658
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$2,777, maturing at various times through November 2047. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2025 and 2024 of \$686,237 and \$719,565, respectively. Contribution revenue of \$417,299 was recognized in 2019 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$288,815 and \$302,774, respectively.	397,422	416,791
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$7,405, maturing at various times through December 2052. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding at June 30, 2025 and 2024 of \$2,417,414 and \$2,115,870, respectively. Contribution revenue of \$149,565 and \$191,860 was recognized in 2025 and 2024, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$999,437 and \$888,093, respectively.	1,417,977	1,227,777
Note payable to bank, secured by certain real property with a net book value of \$6,442,269 at June 30, 2025, at a variable interest rate of 4% below prime (3.5% at June 30, 2025), with a 20-year amortization maturing in May 2029.	2,945,715	2,979,960

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 12—Notes payable (continued)

	<u>2025</u>	<u>2024</u>
Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$1,782, maturing at various times through May 2049. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding of \$494,942 and \$516,325 at June 30, 2025 and 2024, respectively. Contribution revenue of \$239,550 was recognized in 2022 to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$207,483 and \$216,432, respectively.	\$ 287,459	\$ 299,893

Notes payable to bank secured by mortgages receivable, non-interest bearing, payable in monthly principal installments totaling \$12,999, maturing at various times through September 2052. The notes have been discounted using a rate of 4.5%. The notes have an undiscounted balance outstanding of \$4,425,981 and \$3,807,426 at June 30, 2025 and 2024, respectively. Contribution revenue of \$298,401 and \$243,556 was recognized in 2025 and 2024, respectively, to present the difference between the undiscounted notes payable balances and their present value at time of issuance. The discount is being amortized to interest expense over the respective terms of the notes. The unamortized discount at June 30, 2025 and 2024 amounted to \$1,840,388 and \$1,610,137, respectively.	2,585,593	2,197,289
	<u>\$ 27,268,937</u>	<u>\$ 29,799,526</u>

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

	<u>2025</u>	<u>2024</u>
Notes payable, secured by mortgages, net of unamortized discount	\$ 21,986,402	\$ 20,424,401
Notes payable, secured by real property	4,876,377	8,976,618
Notes payable, unsecured	406,158	398,507
	<u>\$ 27,268,937</u>	<u>\$ 29,799,526</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 12—Notes payable (continued)

Future principal maturities of notes payable are as follows:

<u>Years Ending June 30,</u>	
2026	\$ 2,342,983
2027	2,353,799
2028	2,329,984
2029	5,096,853
2030	2,270,732
Thereafter	<u>30,218,075</u>
Total principal maturities	44,612,426
Amounts representing imputed interest	<u>(17,343,489)</u>
	<u>\$ 27,268,937</u>

Note 13—Line of credit

Habitat has a \$950,000 line of credit agreement with a bank bearing interest at the bank's index rate plus 1% (8.5% at June 30, 2025). The line of credit is secured by real estate. The line of credit has a maturity date of September 2025. At June 30, 2025 and 2024, no borrowings were outstanding under the line of credit agreement.

Note 14—NMTC joint venture note payable

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

The loan was secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt was associated with a put option feature under an option agreement between the partnership's related parties that was expected to be exercised in 2025 that would effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2024 was \$1,715,000, net of issuance costs of \$35,871. Debt issuance costs of \$53,253 are being amortized to interest expense over the 20-year term of the loan. In December 2024, the investment fund exercised a put option, resulting in HCF holding the debt, thereby releasing Habitat from any future obligation outstanding under the promissory note. Upon release from future obligations under the promissory note, Habitat recognized \$520,295 of debt forgiveness income included in the statements of activities. As of June 30, 2025, there was no outstanding amount due on this promissory note.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the sole-member of Twain Investment Fund 296, LLC (the "Twain Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC exercised its put option on December 20, 2024. Under the terms of the agreement, HHL purchased the ownership interest of the fund and resulted in approximately \$520,000 in debt forgiveness income during the year ended June 30, 2025.

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 14—NMTC joint venture note payable (continued)

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

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

The loan is secured by substantially all the assets acquired by Habitat from the project loan proceeds. The debt is associated with a put option feature under an option agreement between the partnership's related parties that is expected to be exercised in 2027 that will effectively extinguish the liability from Habitat. The balance of the note payable at June 30, 2025 and 2024 was \$1,521,250 net of issuance costs of \$61,894 and \$66,043, respectively. Debt issuance costs of \$82,986 are being amortized to interest expense over the 20-year term of the loan.

Simultaneous with these transactions, HHL entered into an option agreement (the "Option Agreement") with USBCDC, who is the owner of USBCDC (the "USBCDC Fund"), and the upstream effective owner of HCF. Under the terms of the Option Agreement, USBCDC Endowment Fund is expected to put its ownership interest in HCF to HHL for \$1,000, during the six-month put period beginning June 4, 2027.

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

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

Note 15—Employee Retention Credit

Under the Coronavirus Aid, Relief, and Economic Security Act, Habitat was eligible for a refundable Employee Retention Credit ("ERC") subject to certain criteria. Habitat claimed an ERC recognized as grant income in the statement of activities for the year ended June 30, 2023. Included in grants receivable on the statement of financial positions for ERC are \$740,021 at June 30, 2024. This balance was received during the year ended June 30, 2025.

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 16—Net assets with donor restrictions

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

	<u>2025</u>	<u>2024</u>
Unamortized discount on notes payable issued	\$ 17,343,489	\$ 16,284,293
Contributions purpose restricted for other projects	395,212	402,460
Unconditional promises to give, net	<u>30,000</u>	<u>500,000</u>
	<u>\$ 17,768,701</u>	<u>\$ 17,186,753</u>

For the year ended June 30, 2025, Habitat released \$977,177 related to amortization discount on notes payable issued and \$849,767 for the purpose and time restrictions being fulfilled. The total amount of net assets released from restrictions for the year ended June 30, 2025 is \$1,826,944, as reported on the statement of activities. For the year ended June 30, 2024, Habitat released \$934,054 related to amortization discount on notes payable issued and \$ 319,729 for the purpose and time restrictions being fulfilled. The total amount of net assets released from restrictions for the year ended June 30, 2024 is \$1,253,783, as reported on the statement of activities.

Note 17—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. Management believes Habitat is not exposed to any significant credit risk on its cash balances. Uninsured balances at June 30, 2025 and 2024 totaled \$-0- and \$119,362, respectively.

Note 18—Leases

Habitat leases certain office space, warehouse space, and equipment. Habitat determines whether a contract contains a lease at inception by determining if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. Habitat has lease agreements with lease and non-lease components, which are generally accounted for separately with amounts allocated to the lease and non-lease components based on the relative stand-alone prices.

ROU assets and lease liabilities are recognized at the commencement date based on the present value of the future minimum lease payments over the lease term. Renewal and termination clauses that are factored into the determination of the lease term if it is reasonably certain these options would be exercised by Habitat. Lease assets are amortized over the lease term unless there is a transfer of title or purchase option reasonably certain of exercise, in which case the asset life is used. Certain of our lease agreements include variable payments. Variable lease payments are not dependent on an index or rate primarily consist of common area maintenance charges and are not included in the calculation of the ROU asset and lease liability and are expenses as incurred. In order to determine the present value of lease payments, Habitat uses the risk-free rate based on the information available at lease commencement to determine the present value of lease payments.

Habitat's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Habitat does not have leases where it is involved with the construction or design of an underlying asset. Habitat has no material obligation for leases signed but not yet commenced as of June 30, 2025. Habitat does not have any material subleases activities.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 18—Leases (continued)

Practical Expedients Elected

- Habitat has elected the practical expedient not to recognize leases with terms of 12 months or less on the statement of financial position and instead to recognize the lease payments on a straight-line basis over the term of the lease and variable lease payments in the period in which the obligation for the payments in incurred. Therefore, Habitat’s short-term lease expense for the period does not reflect ongoing short-term lease commitments. Lease expense for such short-term leases was not material for the year ended June 30, 2025.
- Habitat has elected to utilize the risk-free discount rate to calculate lease assets and liabilities.

Classification of right-of-use assets and lease liabilities as of June 30 is as follows:

<u>Leases</u>	<u>Balance Sheet Classification</u>	<u>2025</u>	<u>2024</u>
Assets:			
Operating right-of-use assets	Right-of-use assets	\$ 326,307	\$ 457,751
Finance right-of-use assets	Right-of-use assets	17,239	30,064
Total lease assets		<u>\$ 343,546</u>	<u>\$ 487,815</u>
Liabilities:			
Operating lease liabilities	Lease liabilities	\$ 341,932	\$ 470,388
Finance lease liabilities	Lease liabilities	17,989	30,893
Total lease liabilities		<u>\$ 359,921</u>	<u>\$ 501,281</u>

Future minimum lease payments as of June 30, 2025 are as follows:

<u>Maturity Analysis</u>	<u>Finance</u>	<u>Operating</u>
2026	\$ 13,652	\$ 138,855
2027	4,727	144,409
2028	-	73,619
Total undiscounted cash flows	18,379	356,883
Less present value discount	(390)	(14,951)
Total lease liabilities	<u>\$ 17,989</u>	<u>\$ 341,932</u>

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 18—Leases (continued)

Required supplemental information relating to our leases for the years ended June 30 is as follows:

	<u>2025</u>	<u>2024</u>
Lease expense:		
Finance lease expense:		
Amortization of right-of-use assets	\$ 12,825	\$ 12,825
Interest on lease liabilities	750	1,138
Operating lease expense	<u>136,922</u>	<u>136,381</u>
Total operating and finance lease cost	<u>\$ 150,497</u>	<u>\$ 150,344</u>
Cash flow information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 133,932	\$ 125,099
Operating cash flows from finance leases	782	1,147
Financing cash flows from finance leases	12,870	12,359
Lease assets obtained in exchange for lease liabilities:		
Operating leases	-	245,662
Finance leases	-	6,300
Lease term (in years) and discount rate:		
Weighted-average remaining lease term in years for finance leases	1.39	2.37
Weighted-average remaining lease term in years for operating leases	2.50	3.47
Weighted-average discount rate for finance leases	3.17%	3.13%
Weighted-average discount rate for operating leases	3.52%	3.53%

Note 19—Commitments and contingencies

In connection with the development of Park Preserve and Village by the Creek subdivisions, Habitat has obtained letters of credit totaling \$5,433,000 and \$3,642,000 at June 30, 2025 and 2024, respectively, securing the completion of certain improvements. Habitat had no outstanding borrowings associated with these letters of credit at June 30, 2025 or 2024. The letters of credit expire through November 2026.

Habitat has multi-year commitments under information technology contracts and other agreements for various services. A summary of future minimum payments as of June 30, 2025 is as follows:

<u>Years Ending June 30,</u>	
2026	\$ 9,703
2027	4,708
2028	54
	<u>\$ 14,465</u>

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

HABITAT FOR HUMANITY OF GREATER NASHVILLE

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 20—Contributed nonfinancial assets

Contributed nonfinancial assets received by Habitat are recorded based on their estimated value. A summary of contributed nonfinancial assets is as follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
ReStore donations	\$ 4,097,724	\$ 3,877,275
Building supplies and home appliances	142,591	179,030
Mortgage servicing	108,024	101,184
Operating supplies	400	50,247
	<u>\$ 4,348,739</u>	<u>\$ 4,207,736</u>

Habitat recognized nonfinancial assets within revenue, including ReStore donations, building supplies, and mortgage servicing. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Various donors contributed products to the ReStore for sale to customers. Habitat valued the contribution based upon its sales price of the contributed assets.

Various donors contribute building supplies and home appliances that are used in constructing homes transferred to homeowners. Habitat valued the contribution based upon current costs to purchase.

A financial institution services mortgages on behalf of Habitat. Habitat valued the contribution based upon estimated costs to pay a third party servicer.

Approximately 5,001 and 5,482 individuals contributed significant amounts of time to Habitat's activities during the years ended June 30, 2025 and 2024, respectively. The financial statements do not reflect the value of these services because they do not meet the recognition criteria prescribed by U.S. GAAP.

Note 21—Retirement plan

Habitat has a defined contribution retirement plan for its employees, which was established as a Simple IRA. As described in the plan document, substantially all full-time employees are eligible to participate in the plan. Discretionary contributions may be made at the option of the Board of Directors. Habitat recognized retirement plan expense of \$74,419 and \$74,557 for the years ended June 30, 2025 and 2024, respectively.

HABITAT FOR HUMANITY OF GREATER NASHVILLE
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2025 AND 2024

Note 22—Supplemental cash flow information

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

Supplemental Cash Flow Information:

	<u>2025</u>	<u>2024</u>
Equipment acquired through issuance of finance lease	\$ -	\$ 6,300
Noncash forgiveness of NMTC loans	\$ 1,715,000	\$ -
Interest paid	\$ 364,653	\$ 265,038

Supplemental Schedule of Noncash Investing and Financing Activities:

	<u>2025</u>	<u>2024</u>
Issuance of non-interest bearing mortgage loans	\$ 9,335,240	\$ 8,777,640
Discount on non-interest bearing mortgage loans	(4,053,917)	(3,823,431)
Transfers to homeowners subject to non-interest bearing mortgage loans	\$ 5,281,323	\$ 4,954,209

Note 23—Related parties

At June 30, 2025 and 2024, Habitat owed notes payable, net of discounts, totaling approximately \$10,247,175 and \$11,340,015, respectively, to financial institutions which have executives who serve on Habitat's Board of Directors.

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

Habitat annually remits a portion of its unrestricted contributions (excluding in-kind contributions) to Habitat International. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2025 and 2024, Habitat contributed \$91,773 and \$99,761, respectively, to Habitat International.

Habitat has received Self-Help Homeownership Opportunity Program funds from Habitat International. Of the funds received, 75% were in the form of a grant with the remaining 25% repayable under non-interest bearing four-year notes payable. During the years ended June 30, 2025 and 2024, Habitat was granted \$426,708 and \$709,827, respectively. At June 30, 2025 and 2024, the balances of the loans totaled \$406,158 and \$398,507, respectively.