

**GRANT CONTRACT
 BETWEEN THE METROPOLITAN GOVERNMENT
 OF NASHVILLE AND DAVIDSON COUNTY, TENNESSEE
 BY AND THROUGH
 THE METROPOLITAN HOUSING TRUST FUND COMMISSION
 AND
 THISTLE FARMS, INC.**

This Grant Contract issued and entered into by and between the Metropolitan Government of Nashville and Davidson County, a municipal corporation of the State of Tennessee hereinafter referred to as "Metro", and Thistle Farms, Inc., hereinafter referred to as the "Recipient," is for the provision of the construction of affordable housing units as further defined in the "SCOPE OF PROGRAM." Thistle Farms, Inc. will be adding 3 affordable housing units located at 1701 12th Ave N, Nashville, TN 37208; 1703 12th Ave N, Nashville, TN 37208; 1705 12th Ave N, Nashville, TN 37208. The recipient's budget request, financial statements or audit, 501(c)3 letter, and/or charter documents are incorporated herein. The Recipient is a nonprofit charitable or civic organization.

A. SCOPE OF PROGRAM:

- A.1. Each Property to which these grant funds are provided for shall be subject to a Declaration of Restrictive Covenants ("Declaration") imposing certain affordability requirements to encumber the Property and run with the land over a 30-year term. Terms defined in the Declaration shall have the same meanings when used in this Agreement.
- A.2. The Recipient shall use the funds under this grant in accordance with the affordable housing project submitted in the application and any of its amendments, which application is incorporated herein, and subject to the terms and conditions set forth herein.
- A.3. The Recipient, under this Grant Contract, will spend funds solely for the purposes set forth in their application or proposal for grant funding which is incorporated herein. These funds shall be expended consistent with the Grant Budget, included in Attachment A. Although some variation in line-item amounts for the Grant is consistent with the Grant Budget, any change greater than 20% of a line-item shall require the prior written approval of Metro. However, in no event will the total amount of the Grant funds provided to Recipient go above the awarded Grant amount of \$195,125.

Additional Conditions for Rental Properties:

1. Tenants must be income-eligible at the time of initial occupancy, and Recipient must certify all incomes annually and maintain a certified rent roll. In the event a tenant's income increases above the income-requirement for the unit, the tenant is not disqualified from remaining in the unit. However, the tenant's rent shall be adjusted to the corresponding AMI level for the next lease term.
2. The Recipient will provide Metro with a management plan program oversight which includes certification of the rents, utility allowances and tenant incomes. The Grantee shall also provide Metro an annual certification that Barnes rental requirements are being met throughout the compliance period.
3. The Grantee will allow Metro or a Metro-approved contractor to conduct on-site inspections of the grantee for compliance Barnes program requirements including, but not limited to, reviewing tenant income calculations, rent determinations and utility allowances.
4. Compliance restrictions on both tenant income and maximum rents shall apply for thirty (30) years from the date of issuance of the certificate of occupancy for the final building within the project. If a certificate of occupancy is not issued, the compliance period will begin on the date of recordation of the notice of completion for the project.

5. Recipient shall not increase rents during a lease term.

B. GRANT CONTRACT TERM:

B.1. Grant Contract Term. The term of this Grant shall be from execution of the grant agreement until Project completion, but in no way greater than 24 months from the execution of the grant agreement. Metro shall have no obligation for services rendered by the Recipient which are not performed within this term. Pursuant to Metropolitan Code of Laws § 2.149.040 (G), in the event the recipient fails to complete its obligations under this grant contract within twenty-four months from execution, Metro is authorized to rescind the contract and to reclaim previously appropriated funds from the organization.

C. PAYMENT TERMS AND CONDITIONS:

C.1. Maximum Liability. In no event shall the maximum liability of Metro under this Grant Contract exceed One Hundred Ninety-Five Thousand One Hundred Twenty-Five Dollars (\$195,125). The Grant Budget, attached and incorporated herein as part of Attachment A, shall constitute the maximum amount to be provided to the Recipient by Metro for all of the Recipient's obligations hereunder. The Grant Budget line-items include, but are not limited to, all applicable taxes, fees, overhead, and all other direct and indirect costs incurred or to be incurred by the Recipient.

This amount shall constitute the Grant Amount and the entire compensation to be provided to the Recipient by Metro.

C.2. Compensation Firm. The maximum liability of Metro is not subject to escalation for any reason. The Grant Budget amount is firm for the duration of the Grant Contract and is not subject to escalation for any reason unless the grant contract is amended.

C.3. Payment Methodology. The Recipient shall be compensated for actual costs based upon the Grant Budget, not to exceed the maximum liability established in Section C.1. Upon execution of the Grant Contract and receipt of a request for payment, the Recipient may be eligible to receive reimbursement for milestones as completed based upon the Grant Budget.

a. Grant Draws

Before a draw can be made, there must be a physical inspection of the property by Metro or an approved designee. The inspection must confirm appropriate completion of the project.

1) Construction Grant Draw Schedule (% based on grant amount)

- 12.5% - upon receipt of the Building Permit (check property address and contractors name) and Builder's Risk Insurance sufficient to cover cost of construction and confirmation of acquisition (make sure Metro is listed as lien holder)
- 25% - footing framing and foundation completed (25% complete)
- 25% - roofing completed and the plumbing, electric and mechanical are roughed in and approved by local Codes (50% complete)
- 25% - cabinets, counters, drywall, trim and doors are installed (75% complete)

Balance of grant upon receipt of a Final Use & Occupancy from local Codes (100% complete).

All draw requests except for the first 12.5% draw must be inspected before funding.

The above is the preferred draw method. Metro may occasionally fund based on a true percentage of completion as noted in a Construction Inspection report or if the application requested funds for land acquisition, understanding that the initial 12.5% or acquisition draw may overfund the grant, requiring later draws to be reduced.

2) **Construction Grant Draw Process**

- Draw request is received from the Recipient. It should be requested by the contractor and approved by the Recipient.
- Complete property inspection
- Metro or approved designee approves the request.
- Payments should be made to the Recipient.

All invoices shall be sent to:

Barnes Housing Trust Fund
Planning Department – Housing Division
800 2nd Avenue South
Nashville, TN 37210
(615) 862-7190

Said payment shall not exceed the maximum liability of this Grant Contract.

Final invoices for the contract period should be received by Metro Payment Services by 24 months from the execution of the grant agreement. Any invoice not received by the deadline date will not be processed and all remaining grant funds will expire.

- C.4. Close-out Expenditure and Narrative Report. The Recipient must submit a final grant Close-out Expenditure and Narrative Report, to be received by the Metropolitan Housing Trust Fund Commission / Barnes Housing Trust Fund within 45 days of the end of the Grant Contract. Said report shall be in form and substance acceptable to Metro and shall be prepared by a Certified Public Accounting Firm or the Chief Financial Officer of the Recipient Organization.
- C.5. Payment of Invoice. The payment of any invoice by Metro shall not prejudice Metro's right to object to the invoice or any matter in relation thereto. Such payment by Metro shall neither be construed as acceptance of any part of the work or service provided nor as an approval of any of the costs included therein.
- C.6. Unallowable Costs. The Recipient's invoice shall be subject to reduction for amounts included in any invoice or payment theretofore made which are determined by Metro, on the basis of audits or monitoring conducted in accordance with the terms of this Grant Contract, to constitute unallowable costs.
- C.7. Deductions. Metro reserves the right to adjust any amounts which are or shall become due and payable to the Recipient by Metro under this or any Contract by deducting any amounts which are or shall become due and payable to Metro by the Recipient under this or any Contract.
- C.8. Electronic Payment. Metro requires as a condition of this contract that the Recipient shall complete and sign Metro's form authorizing electronic payments to the Recipient. Recipients who have not already submitted the form to Metro will have thirty (30) days to complete, sign, and return the form. Thereafter, all payments to the Recipient, under this or any other contract the Recipient has with Metro, must be made electronically.
- C. 9. Recipient agrees and understands that procurement of goods and services for the grant project must comply with state and local law and regulations, including the Metropolitan Procurement Code. Recipient will provide Metro with all plans and specifications needed for these procurement purposes. Recipient will promptly review, and either approve or disapprove, in good

faith and with reasonable grounds all estimates, amendments to scope of work, and all work performed by a contractor prior to payment.

- C. 10. Public Meetings. At the reasonable request of Metro, Recipient agrees to attend public meetings, neighborhood meetings, and other events regarding this Project.
- C. 11. Recognition. Any signage, printed materials, or online publications erected at the applicable Project site or elsewhere regarding the Project shall include the following language or language acceptable by Metro acknowledging that the Project is partially funded with a grant from the Barnes Fund for Affordable Housing of the Metropolitan Government of Nashville and Davidson County:

This project funded in part by the Barnes Affordable Housing Trust Fund of the Metropolitan Government of Nashville & Davidson County.

Metropolitan Housing Trust Fund Commission

John Cooper, Mayor

Metropolitan Council of Nashville and Davidson County

D. STANDARD TERMS AND CONDITIONS:

- D.1. Required Approvals. Metro is not bound by this Grant Contract until it is approved by the appropriate Metro representatives as indicated on the signature page of this Grant.
- D.2. Modification and Amendment. This Grant Contract may be modified only by a written amendment that has been approved in accordance with all Metro procedures and by appropriate legislation of the Metropolitan Council.
- D.3. Default and Termination for Cause. Any failure by Owner to perform any term or provision of this Grant Contract shall constitute a "Default" (1) if such failure is curable within 30 days and Recipient does not cure such failure within 30 days following written notice of default from Metro, or (2) if such failure is not of a nature which cannot reasonably be cured within such 30-day period and Recipient does not within such 30-day period commence substantial efforts to cure such failure or thereafter does not within a reasonable time prosecute to completion with diligence and continuity the curing of such failure. Should the Recipient Default under this Grant Contract or if the Recipient violates any terms of this Grant Contract, Metro shall have the right to immediately terminate the Grant Contract and the Recipient shall return to Metro any and all grant monies for services or projects under the grant not performed as of the termination date. The Recipient shall also return to Metro any and all funds expended for purposes contrary to the terms of the Grant. Such termination shall not relieve the Recipient of any liability to Metro for damages sustained by virtue of any breach by the Recipient.
- D.4. Subcontracting. The Recipient shall not assign this Grant Contract or enter into a subcontract for any of the services performed under this Grant Contract without obtaining the prior written approval of Metro. Notwithstanding any use of approved subcontractors, the Recipient shall be considered the prime Recipient and shall be responsible for all work performed.
- D.5. Conflicts of Interest. The Recipient warrants that no part of the total Grant Amount shall be paid directly or indirectly to an employee or official of Metro as wages, compensation, or gifts in exchange for acting as an officer, agent, employee, subcontractor, or consultant to the Recipient in connection with any work contemplated or performed relative to this Grant Contract.

The Grantee also recognizes that no person identified as a Covered Person below may obtain a financial interest or benefit from a Metro Housing Trust Fund Competitive Grant assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those whom they have family or business ties, during their tenure or for one year thereafter.

Covered Persons include immediate family members of any employee or board member of the Grantee. Covered Persons are ineligible to receive benefits through the Metro Housing Trust Fund Competitive Grant program. Immediate family ties include (whether by blood, marriage or adoption) a spouse, parent (including stepparent), child (including a stepbrother or stepsister), sister, brother, grandparent, grandchild, and in-laws of a Covered Person.

D.6. Nondiscrimination. The Recipient hereby agrees, warrants, and assures that no person shall be excluded from participation in, be denied benefits of, or be otherwise subjected to discrimination in the performance of this Grant Contract or in the employment practices of the Recipient on the grounds of disability, age, race, color, religion, sex, national origin, or any other classification which is in violation of applicable laws. The Recipient shall, upon request, show proof of such nondiscrimination and shall post in conspicuous places, available to all employees and applicants, notices of nondiscrimination.

D.7. Records. All documents relating in any manner whatsoever to the grant project, or any designated portion thereof, which are in the possession of Recipient, or any subcontractor of Recipient shall be made available to the Metropolitan Government for inspection and copying upon written request by the Metropolitan Government. Furthermore, said documents shall be made available, upon request by the Metropolitan Government, to any state, federal or other regulatory authority and any such authority may review, inspect and copy such records. Said records include, but are not limited to, all drawings, plans, specifications, submittals, correspondence, minutes, memoranda, tape recordings, videos or other writings or things which document the grant project, its design and its construction. Said records expressly include those documents reflecting the cost of construction, including all subcontracts and payroll records of Recipient.

Recipient shall maintain documentation for all funds provided under this grant contract. The books, records, and documents of Recipient, insofar as they relate to funds provided under this grant contract, shall be maintained for a period of three (3) full years from the date of the final payment. The books, records, and documents of Recipient, insofar as they relate to funds provided under this grant contract, shall be subject to audit at any reasonable time and upon reasonable notice by Metro or its duly appointed representatives. Records shall be maintained in accordance with the standards outlined in the Metro Grants Manual. The financial statements shall be prepared in accordance with generally accepted accounting principles.

D.8. Monitoring. The Recipient's activities conducted and records maintained pursuant to this Grant Contract shall be subject to monitoring and evaluation by Metro or Metro's duly appointed representatives. The Recipient shall make all audit, accounting, or financial records, notes, and other documents pertinent to this grant available for review by the Metropolitan Office of Financial Accountability, Internal Audit or Metro's representatives, upon request, during normal working hours.

D.9. Reporting. The Recipient must submit an Interim Program Report, to be received by the Metropolitan Housing Trust Commission / Barnes Housing Trust Fund, by no later than September 1, 2023 and a Final Program Report, to be received by the Metropolitan Housing Trust Fund Commission within 45 [forty-five] days of the end of the Grant Contract. Said reports shall detail the outcome of the activities funded under this Grant Contract in the form required by Metro.

D.10. Strict Performance. Failure by Metro to insist in any one or more cases upon the strict performance of any of the terms, covenants, conditions, or provisions of this agreement shall not

be construed as a waiver or relinquishment of any such term, covenant, condition, or provision. No term or condition of this Grant Contract shall be held to be waived, modified, or deleted except by a written amendment by the appropriate parties as indicated on the signature page of this Grant.

- D.11. Insurance. The Recipient shall maintain adequate public liability and other appropriate forms of insurance, including other appropriate forms of insurance on the Recipient's employees, and to pay all applicable taxes incident to this Grant Contract.
- D.12. Metro Liability. Metro shall have no liability except as specifically provided in this Grant Contract.
- D. 13. Independent Contractor. Nothing herein shall in any way be construed or intended to create a partnership or joint venture between the Recipient and Metro or to create the relationship of principal and agent between or among the Recipient and Metro. The Recipient shall not hold itself out in a manner contrary to the terms of this paragraph. Metro shall not become liable for any representation, act, or omission of any other party contrary to the terms of this paragraph.
- D. 14. Indemnification and Hold Harmless.
- (a) Recipient shall indemnify, defend, and hold harmless Metro, its officers, agents and employees from any claims, damages, penalties, costs and attorney fees for injuries or damages arising, in part or in whole, from the negligent or intentional acts or omissions of Recipient, its officers, employees and/or agents, including its sub or independent contractors, in connection with the performance of the contract, and any claims, damages, penalties, costs and attorney fees arising from any failure of Recipient, its officers, employees and/or agents, including its sub or independent contractors, to observe applicable laws, including, but not limited to, labor laws and minimum wage laws.
- (b) Metro will not indemnify, defend or hold harmless in any fashion the Recipient from any claims, regardless of any language in any attachment or other document that the Recipient may provide.
- (c) Recipient shall pay Metro any expenses incurred as a result of Recipient's failure to fulfill any obligation in a professional and timely manner under this Contract.
- (d) Grantee's duties under this section shall survive the termination or expiration of the grant.
- D.15. Force Majeure. The obligations of the parties to this Grant Contract are subject to prevention by causes beyond the parties' control that could not be avoided by the exercise of due care including, but not limited to, acts of God, riots, wars, strikes, epidemics or any other similar cause.
- D.16. State, Local and Federal Compliance. The Recipient agrees to comply with all applicable federal, state and local laws and regulations in the performance of this Grant Contract.
- D.17. Governing Law and Venue. The validity, construction and effect of this Grant Contract and any and all extensions and/or modifications thereof shall be governed by and construed in accordance with the laws of the State of Tennessee. The venue for legal action concerning this Grant Contract shall be in the courts of Davidson County, Tennessee.
- D. 18 Attorney Fees. Recipient agrees that, in the event either party deems it necessary to take legal action to enforce any provision of the Grant Contract, and in the event Metro prevails, Recipient shall pay all expenses of such action including Metro's attorney fees and costs at all stages of the litigation.
- D.19. Completeness. This Grant Contract is complete and contains the entire understanding between the parties relating to the subject matter contained herein, including all the terms and conditions of the parties' agreement. This Grant Contract supersedes any and all prior understandings,

representations, negotiations, and agreements between the parties relating hereto, whether written or oral.

- D. 20. Headings. Section headings are for reference purposes only and shall not be construed as part of this Grant Contract.
- D. 21. Licensure. The Recipient and its employees and all sub-grantees shall be licensed pursuant to all applicable federal, state, and local laws, ordinances, rules, and regulations and shall upon request provide proof of all licenses. Recipient will obtain all permits, licenses, and permissions necessary for the grant project.
- D. 22. Waiver. No waiver of any provision of this contract shall affect the right of any party thereafter to enforce such provision or to exercise any right or remedy available to it in the event of any other default.
- D. 23. Inspection. The Grantee agrees to permit inspection of the project and/or services provided for herein, without any charge, by members of the Grantor and its representatives.
- D. 24. Assignment—Consent Required. The provisions of this contract shall inure to the benefit of and shall be binding upon the respective successors and assignees of the parties hereto. Except for the rights of money due to Recipient under this contract, neither this contract nor any of the rights and obligations of Recipient hereunder shall be assigned or transferred in whole or in part without the prior written consent of Metro. Any such assignment or transfer shall not release Recipient from its obligations hereunder. Notice of assignment of any rights to money due to Recipient under this Contract must be sent to the attention of the Metro Department of Finance.
- D.25. Gratuities and Kickbacks. It shall be a breach of ethical standards for any person to offer, give or agree to give any employee or former employee, or for any employee or former employee to solicit, demand, accept or agree to accept from another person, a gratuity or an offer of employment in connection with any decision, approval, disapproval, recommendation, preparations of any part of a program requirement or a purchase request, influencing the content of any specification or procurement standard, rendering of advice, investigation, auditing or in any other advisory capacity in any proceeding or application, request for ruling, determination, claim or controversy in any proceeding or application, request for ruling, determination, claim or controversy or other particular matter, pertaining to any program requirement of a contract or subcontract or to any solicitation or proposal therefore. It shall be a breach of ethical standards for any payment, gratuity or offer of employment to be made by or on behalf of a subcontractor under a contract to the prime contractor or higher tier subcontractor or a person associated therewith, as an inducement for the award of a subcontract or order. Breach of the provisions of this paragraph is, in addition to a breach of this contract, a breach of ethical standards which may result in civil or criminal sanction and/or debarment or suspension from participation in Metropolitan Government contracts.
- D.26. Communications and Contacts. All instructions, notices, consents, demands, or other communications from the Recipient required or contemplated by this Grant Contract shall be in writing and shall be made by facsimile transmission, email, or by first class mail, addressed to the respective party at the appropriate facsimile number or address as set forth below or to such other party, facsimile number, or address as may be hereafter specified by written notice.

Metro:

For contract-related matters and enquiries regarding invoices:
Metropolitan Housing Trust Fund Commission / Barnes Housing Trust Fund
Planning Department – Housing Division
800 2nd Avenue South
Nashville, TN 37210
(615) 862-7190
Ashley.Brown2@Nashville.Gov

Recipient:

Thistle Farms, Inc.
Tara Hamilton, Director of Development and Community Relations
5122 Charlotte Pike
Nashville, TN 37209
(615) 465-0561
tara.hamilton@thistlefarms.org

Affordable Housing Resources
Eddie Latimer, Executive Director
50 Vantage Way, Ste. 107
Nashville, TN 37228
615.251.0025 ext. 0
elatimer@ahrhousing.org

D.27. Lobbying. The Recipient certifies, to the best of its knowledge and belief, that:

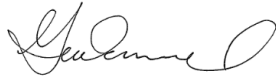
- a. No federally appropriated funds have been paid or will be paid, by or on behalf of the Recipient, to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress in connection with the awarding of any federal contract, the making of any federal grant, the making of any federal loan, and entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any federal contract, grant, loan, or cooperative agreement.
- b. If any funds other than federally appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this grant, loan, or cooperative agreement, the Recipient shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- c. The Recipient shall require that the language of this certification be included in the award documents for all sub-awards at all tiers (including sub-grants, subcontracts, and contracts under grants, loans, and cooperative agreements) and that all subcontractors of federally appropriated funds shall certify and disclose accordingly.

D. 28 Effective Date. This contract shall not be binding upon the parties until it has been signed first by the Recipient and then by the authorized representatives of the Metropolitan Government and has been filed in the office of the Metropolitan Clerk. When it has been so signed and filed, this contract shall be effective as of the date first written above.

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THE METROPOLITAN GOVERNMENT
OF NASHVILLE AND DAVIDSON
COUNTY:

APPROVED AS TO PROGRAM SCOPE:



Gina Emmanuel, Chair,
Metropolitan Housing Trust Fund
Commission

APPROVED AS TO AVAILABILITY OF
FUNDS:

Kelly Flannery, Director
Department of Finance

APPROVED AS TO FORM AND
LEGALITY:

Assistant Metropolitan Attorney

APPROVED AS TO RISK AND
INSURANCE:

Director of Risk Management Services

APPROVED BY METROPOLITAN
GOVERNMENT OF NASHVILLE AND
DAVIDSON COUNTY:

Metropolitan Clerk

RECIPIENT:

Thistle Farms, Inc.

By: 

Title: Executive Director

Sworn to and subscribed to before me a
Notary Public, this 20 day
of September, 2022.

Notary Public



My Commission Expires Sept. 8, 2025

My Commission
expires 9/8/25

BARNES HOUSING TRUST FUND HOMEBUYER PROFORMA

12th & Wheless Development

Thistle Farms

Unit Address	1701 12th Ave. N	1703 12th Ave. N	1705 12th Ave. N	Total	Notes
Development Type	Home Ownership Single Family Residence	Home Ownership Single Family Residence	Home Ownership Single Family Residence		1701 12th Ave N is included in the development, but not in the Barnes Funding Request
Accessible Bus Line Routes	#22 EB/WB - 0.3 mi	#22 EB/WB - 0.3 mi	#22 EB/WB - 0.3 mi		
Number of Bedrooms	3	2	3		
Number of Bathrooms	2.5	1.5	2.5		
Square Feet	1664	1105	1317		
Number of Stories	1-1/2	1	1-1/2		
Acquisition Costs					
Vacant Land	63,333.33	63,333.33	63,333.33	190,000.00	Compared to \$475k appraised value
Land with Structure	0.00	0.00	0.00		
Title & Recording	1,086.67	1,086.67	1,086.67	3,260.00	
Legal	0	0	0		
Total	64,420.00	64,420.00	64,420.00	193,260.00	
Predevelopment Costs					
Appraisal	N/A	N/A	N/A		
Survey	2,333.33	2,333.33	2,333.33	7,000.00	<i>Barge</i>
Relocation (if applicable)	N/A	N/A	N/A		
Insurance	500.00	500.00	500.00		
Architect	5,000.00	5,000.00	5,000.00	15,000.00	
Engineering	9,500.00	9,500.00	9,500.00	28,500.00	<i>Barge/La Bella</i>
Planning/Zoning	1,400.00	1,400.00	1,400.00	4,200.00	
Other					
Total	18,733.33	18,733.33	18,733.33	56,200.00	
Construction Costs					
Structure					
Footer/Foundation	27,923.27	19,675.67	22,466.25		
Framing	79,674.03	56,141.01	64,103.42		

BARNES HOUSING TRUST FUND HOMEBUYER PROFORMA

12th & Wheless Development

Thistle Farms

Unit Address	1701 12th Ave. N	1703 12th Ave. N	1705 12th Ave. N	Total	Notes
Electrical	17,713.20	12,481.32	14,251.53		
Plumbing	25,287.90	17,818.71	20,345.91		
Roofing	6,323.67	4,455.87	5,087.85		
HVAC	14,105.11	9,938.94	11,348.57		
Drywall/Insulation	13,289.43	9,364.18	10,692.29		
Paint/Stain	17,021.42	11,993.86	13,694.94		
Windows/Doors	20,078.93	14,148.29	16,154.93		
Floor Coverings	16,388.52	11,547.90	13,185.73		
Cabinets	20,574.90	14,497.77	16,553.97		
Brick/Siding	13,268.71	9,349.58	10,675.62		
Sub-Total	271,649.10	191,413.11	218,561.01		
Other					
Site Work	8,263.10	7,965.59	7,965.59		
Appliances	12,000.00	12,000.00	12,000.00		
Decks/Porches	2,538.96	2,447.54	2,447.54		
Side Walks/Curb & Gutter	15,000.00	10,000.00	10,000.00		
Walkways/Driveways	2,000.00	2,000.00	2,000.00		
Landscaping	6,000.00	6,000.00	6,000.00		
Utility Hookups - Water	8,000.00	8,000.00	8,000.00		
Utility Hookups - Sewer	7,000.00	7,000.00	7,000.00		
Utility Hookups - Electric	7,000.00	7,000.00	7,000.00		
Building Permits/Fees	1,500.00	1,200.00	1,300.00		
Demolition	0.00	0.00	0.00		
Fees	35,000.00	35,000.00	35,000.00		GC Fees - Ryan Nichols
Materials and Labor Market Contingency Cost Overrun	31,745.12	23,182.62	25,897.41	10%	10% Contingency
Sub-Total	136,047.17	121,795.75	124,610.54		
Construction Contingency	40,769.63	31,320.89	34,317.15		10% Contingency

BARNES HOUSING TRUST FUND HOMEBUYER PROFORMA

12th & Wheless Development

Thistle Farms

Unit Address	1701 12th Ave. N	1703 12th Ave. N	1705 12th Ave. N	Total	Notes
Profit (if organization has own construction crew)	0.00	0.00	0.00		
Total Construction Cost	407,696.27	313,208.86	343,171.55		
Sub-Total	40,769.63	31,320.89	34,317.15		
Total Development Cost (No Land)	467,199.23	363,263.08	396,222.04		
Cost per Unit	467,199.23	363,263.08	396,222.04		
Total Development Cost per SF	280.77	328.74	300.85		
Developer's Fee (capped at 20%)	6,000.00	6,000.00	6,000.00	1.28%	Kris Nonn mgmt fee
Total Cost/Unit	473,199.23	369,591.82	402,522.89		

12th & Wheless Development		Thistle Farms		
Unit Address	1701 12th Ave. N	1703 12th Ave. N	1705 12th Ave. N	
Plan Type				
Number of Bedrooms	3	2	2	
Number of Bathrooms	2.5	1.5	2.5	
Square Feet	1664	1105	1317	
Number of Stories	1-1/2	1	1-1/2	
Totals				
Total Construction Cost/Unit	407,696.27	313,208.86	343,171.55	
Total Cost/Unit	473,199.23	369,591.82	402,522.89	
Total Cost/Unit Less Contingency	432,429.61	338,270.94	368,205.73	
Estimated As Built Appraisal Value	700,000.00	600,000.00	650,000.00	
Buyer's Mortgage Amount	196,000.00	149,000.00	133,000.00	
Selling Price	264,864.86	201,351.35	179,729.73	
25% Shared Equity "Leave-In"	66,216.22	50,337.84	44,932.43	95,270.27
Pinnacle Downpayment Assist	12,000.00	12,000.00	12,000.00	
Buyer Downpayment	8,000.00	5,000.00	6,000.00	
Total Cost Before Barnes Subsidy	346,213.39	270,933.10	305,273.30	
Calculated Barnes Subsidy	81,348.52	69,581.75	125,543.57	195,125.32

1701 12th Ave N is included in the development, but not in the Barnes Funding Request

Totals	Notes	
	<i>With Construction Contingency & Mat'l Escalator excluded</i>	
	<i>With Construction Contingency & Mat'l Escalator included</i>	
	<i>Construction Contingency excluded, Mat'l Escalator included</i>	
	<i>Confirm Appraisal Amount - Estimate Shown</i>	
	<i>Based on Buyers' Incomes & 30% max./80 AMI, 6.25% Interest Rate</i>	
	<i>Buyer's Mortgage Amount = 74% of sales price</i>	
95,270.27	<i>The Housing Fund - 25% of Purchase Price</i>	The Housing Fund
	<i>Based on property address</i>	
	<i>Buyers' Downpayment</i>	Thistle Farms

Value Brought to Project by Thistle Farms

Land - Donated	193,260.00	Donated Land
Land - Market Value	281,740.00	Appraised Value (Jan. 2021)
Developer Fee - minimal	230,336.87	20% (max.)vs. 1.30% (actual)
Total Value Donated to Project	705,336.87	
<i>Amount per Lot Donated</i>	235,112.29	

Barnes Ask	195,125.32
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By-laws
Of
THISTLE FARMS, INC.

These By-laws are adopted this 17th day of November, 2002, amended the 19th day of October, 2004, and further amended the 21st day of October, 2015 and supersede all previous by-laws.

OFFICES

1. The principal office of Thistle Farms, Inc. (the "Corporation") shall be located at 5122 Charlotte Pike, Nashville, TN 37209-3347, and the Corporation shall have such other offices at such other places as the Board of Directors may from time to time specify or as the business of the Corporation may require.

SEAL

2. The Corporation shall not have a seal.

MEMBERS

3. The Corporation shall not have members.

DIRECTORS

4. The affairs of the Corporation shall be managed by the Board of Directors, and all of the powers of the Corporation shall be vested in the Board. The Board of Directors shall consist of no fewer than ten (10) and no more than twenty-one (21) individuals, as

the Board may from time to time determine, each of whom shall serve a three-year term and shall be eligible for re-election.

5. Term: The Directors shall be divided into three classes of Directors, with, to the extent possible, the same number of Directors in each class, so that the terms of the Directors are staggered. The Directors of each class shall be elected in the same year and for the same term. Each Director shall hold office for the term for which the person was elected and until his/her successor has been elected. Members shall be eligible for reelection for one additional term of three (3) years. Any member elected to fill an unscheduled vacancy shall be elected for the remaining portion of the scheduled term of that vacancy. Should that period of time be less than 2 years, such partial term will not constitute a term of office for purposes of reelection to the Board. At the end of a second term as a member of the Board of Directors, a person shall not be eligible for reelection for a period of at least one (1) year.

6. Election: Each person shall be elected as a Director by a majority vote of the Directors then serving.

7. Resignation of a Director. A Director may resign by tendering notice in writing to the President or CEO.

8. Removal of a Director. Any Director may be removed from office with or without cause by a majority of the then serving members of the Board of Directors. Any Director

who has been absent from three consecutive regular meetings of the Board is automatically removed but may be reinstated by a majority of the Directors in office.

9. An annual meeting of the Board of Directors shall be held in June. Regular meetings of the Board may be held without notice or upon such notice as shall from time to time be determined by the Board.

10. The Board of Directors shall hold its meetings at the principal office of the Corporation or at such other place or places as it may from time to time determine.

11. Special meetings of the Board may be called by the Chair or Vice Chair of the Corporation on two days' notice to each Director. Such notice may be in person or by mail, telephone, or electronic communication. Special meetings shall be called by the Chair or Vice Chair on the same notice at the request of any Director.

12. At all meetings of the Board, a majority of the total number of Directors then serving shall constitute a quorum for the transaction of business, and the action of a majority of the Directors present at any meeting at which a quorum is present shall be the action of the Board of Directors, except as may be otherwise specifically provided by statute, by the Charter of the Corporation, or by these By-Laws.

13. The Board of Directors shall keep a record of all proceedings, and these records and the books of the Corporation shall be kept at the principal office of the Corporation, with necessary books and records being kept at such place or places as the Board of

Directors may from time to time determine. All of the books and records shall be subject to inspection by any Director at any reasonable time of the day.

14. At all meetings of the Board of Directors, the Chair or Vice Chair, or in the absence of both a chair chosen by the Directors present, shall preside.

15. Directors shall not receive any salary or other remuneration for their services. Directors may be reimbursed for the ordinary, reasonable expenses incurred in the performance of their duties as members of the Board of Directors.

16. Vacancies on the Board shall be filled by election of the Board by a majority of the Directors then serving. Such election shall fill the remaining term of the individual whose place on the Board is filled.

ADVISORY BOARD

17. The Board of Directors may appoint an advisory board of directors with such responsibilities and composition as may be determined from time to time by the Board.

COMMITTEES

18. The Board of Directors, by resolution adopted by the Board, may designate such committees, as it deems necessary and delegate to such committees such authority, as it deems desirable.

19. Executive Committee. The Executive Committee shall consist of the Officers of the Corporation, the immediate past president, the Chairs of any then-existing

committees, which shall have been designated from time to time by the Board of Directors, and other such Directors the President deems necessary. Such committee shall have the power and responsibility to take any necessary action on behalf of the Corporation between meetings of the Board of Directors and majority vote of the members shall control. A majority of the members of the Committee shall constitute a quorum for the purpose of transacting business. Meetings of the Committee may be held by conference telephone call as long as a quorum is participating simultaneously. Any action taken by the Executive Committee shall be reported to the Board of Directors at its next meeting.

20. Ex Officio. Upon election by the Board of Directors, individuals, including but not limited to Thistle Farms employees, may serve as ex-officio members of the Board. Ex-officio members shall serve for a term of one year. All ex-officio members, including The Executive Director or the CEO shall sit with the board in all its deliberations except when in executive session.

OFFICERS

21. The officers of the Corporation shall consist of a Chair, Chair-Elect, Secretary/ Treasurer and may include such other officers as may be deemed necessary by the Board of Directors. The Chair shall be president of the Corporation. One person may hold any two or more of such offices except that the same person may not hold the offices of Chair and Secretary.

22. All officers shall be elected by the Board of Directors at its annual meeting and shall hold office for one year and thereafter until their successors are elected and qualified. The officers specifically enumerated in paragraph 15 shall be members of the Board of Directors except that the Treasurer need not be a member of the Board.

23. The officers of the Corporation shall exercise such powers and perform such duties as are specified in these By-Laws or are from time to time conferred by the Board of Directors.

24. Any officer may be removed from office at any time, with or without cause, by an affirmative vote of a majority of the entire Board of Directors.

25. Vacancies occurring in any office for any reason, including removal, shall be filled by the Board of Directors. Any officer elected to fill a vacancy shall hold office for the remainder of the unexpired term of the predecessor in that office and thereafter until his or her successor is elected and qualified.

26. In case of the absence of any officer of the Corporation, or for any other reason that the Board may deem sufficient, the Board may delegate, for any length of time, any of the powers and duties of such officer to any other officer or to any director, provided a majority of the entire Board concur therein.

THE CHAIR

27. The Chair shall preside at all meetings of the Board of Directors and shall see that all orders and resolutions of the Board are carried into effect. The Chair shall be a member of all committees.

CHAIR-ELECT

28. At the request of the Chair, or in the event of the Chair's absence or disability, the Chair Elect shall perform the duties and possess and exercise the powers of the Chair. The Chair Elect shall perform such others duties as the Board of Directors may from time to time prescribe.

SECRETARY

29. The Secretary shall attend all sessions of the Board and shall record all votes and minutes of all proceedings in a book to be kept for that purpose, and shall perform like duties for the standing committees when required. The Secretary shall give, or cause to be given, notice, as required, of all meetings of the Board of Directors and shall perform such other duties as may be prescribed by the Board of Directors. The Secretary may sign with the Chair or Vice Chair, in the name and on behalf of the Corporation, any contracts or agreements authorized by the Board of Directors, and shall, in general, perform all duties incident to the office of Secretary, subject to the control of the Board of Directors, and shall do and perform such other duties as maybe assigned by the Board of Directors.

TREASURER

30. The Treasurer shall have custody of the funds and securities of the Corporation and shall keep a full and accurate account of receipts and disbursements in books belonging to the Corporation, and shall deposit all money or other valuable effects in the name and to the credit of the Corporation in such depositories as maybe designated by the Board of Directors. The Treasurer shall render to the Chair and Directors at regular meetings of the Board, or whenever they may require it, an account of all transactions and the financial condition of the Corporation. The Treasurer shall sign all receipts and vouchers and, together with such other officer or officers, if any, as shall be designated by the Board of Directors, shall sign all checks of the Corporation and all promissory notes issued by the Corporation, except in cases where the signing and execution thereof shall be expressly designated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation.

INDEMNIFICATION

31. The Corporation shall indemnify and advance expenses to each Director of the Corporation, or any person who may have served at its request as a Director of another corporation, to the full extent allowed by the laws of the State of Tennessee, both as now in effect and as hereafter adopted. The Corporation may indemnify and advance expenses to any employee or agent of the Corporation who is not a Director to the same extent as to a Director, if the Board of Directors determines that to do so is in the best interests of the Corporation.

32. The indemnification and advancement of expenses provisions herein shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, provision of the Charter, provision of these By-laws, resolution adopted by the shareholders, resolution adopted by the Board of Directors, agreement, insurance, purchased by the Corporation or otherwise, both as to action in his or her official capacity and as to action in another capacity.

33. The Corporation may maintain insurance, at its expense, to protect itself and any individual who is or was a Director, officer, employee or agent of the Corporation, or who, while a Director, officer, employee or agent of the Corporation, is or was serving at its request as a Director, officer, partner, trustee, employee or agent of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise against any expense, liability or loss whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Tennessee Nonprofit Corporation Act, as it may be amended from time to time.

EXECUTIVE DIRECTOR AND OTHER AGENTS

34. The Board of Directors shall appoint an Executive Director or Chief Executive Officer (CEO) and such other agents of the Corporation as it considers appropriate. The Executive Director or CEO shall be responsible for the active management of the day-to-day affairs of the Corporation, with such powers and to perform such acts or duties on behalf of the Corporation as the Board of Directors may see fit, so far as may be consistent with these By-Laws, to the extent authorized or permitted by law.

CONTRACTS

35. The Board of Directors, except as in these By-Laws otherwise provided, may authorize any officer or agent to enter into any contract or execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to a specific instance; and unless so authorized by the Board of Directors, no officer, agent, or employee shall have any power or authority to bind the Corporation by any contract or engagement, or to pledge its credit, or render it liable pecuniarily for any purpose or to any amount.

AUDIT

36. The Board of Directors shall provide for an audit of the financial records of the Corporation each fiscal year.

FISCAL YEAR

37. The fiscal year of the Corporation shall be for twelve-month periods ending June 30 of each year.

PROHIBITION AGAINST SHARING IN CORPORATE EARNINGS

38. No Director, officer, or employee of, or member of a committee of, or person connected with the Corporation, or any other private individual shall receive at any time any of the net earnings or pecuniary profit from the operations of the Corporation; provided, that this shall not prevent the payment to any such person of reasonable compensation for services rendered to or for the Corporation in effecting any of its

purposes. No such person or persons shall be entitled to share in the distribution of any of the corporate assets upon the dissolution of the Corporation. Upon such dissolution or winding up of the affairs of the Corporation, whether voluntary or involuntary, the assets of the Corporation, after all debts have been satisfied, then remaining in the hands of the Board of Directors shall be distributed, in such amounts as the Board of Directors may determine or as may be determined by a court of competent jurisdiction upon application of the Board of Directors, exclusively to charitable, religious, scientific, literary, or education organizations which would then qualify under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and its Regulations as they now exist or as they may hereafter be amended.

DEPOSITORIES

39. The Board of Directors shall have the power to select depositories for the funds of the Corporation and power to direct the method and manner of signing checks, notes, and other instruments binding on the Corporation.

AMENDMENTS

40. These By-Laws may be amended by the affirmative vote of a majority of the members of the Board at any regular or special meeting provided that notice of the proposed amendment is contained in the notice of the meeting.

EXEMPT ACTIVITIES

41. Notwithstanding any other provision of these By-Laws, no Director, officer, employee, or representative of this Corporation shall take any action or carry on any activity by or on behalf of the Corporation not permitted to be taken or carried on by an organization exempt under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and its Regulations as they now exist or as they may hereafter be amended, or by an organization described in Sections 170(c)(2), 2055(a) and 2522(a) of such Code and Regulations as they now exist or as they may hereafter be amended.



STATE OF TENNESSEE
DEPARTMENT OF REVENUE

THISTLEFARMS
5122 CHARLOTTE PIKE
NASHVILLE TN 37209-3347

Effective Date: July 1, 2019
Expiration Date: June 30, 2023
Account No: 1000234581-SLC
Exemption No: 1839397888
Facility Address:
5122 CHARLOTTE PIKE
NASHVILLE TN 37209-3347

Exempt Organizations or Institutions
Sales and Use Tax Certificate of Exemption

This organization or institution qualifies for the authority to make sales and use tax exempt purchases of goods and services that it will use, consume or give away.

This authorization for exemption is limited to sales made directly to the referenced organization. This exemption certificate may not be used for sales made to individuals paying with personal checks or personal debit or credit cards, even if the individual is a representative or employee of the organization, and he or she will be reimbursed for the purchase. Sellers must refuse to accept the certificate when the sale is made to someone other than the organization.

This exemption certificate may not be used to make purchases without the payment of sales and use tax for other locations and may not be transferred to or used by any other person.

Seller's Name

Seller's Address (City & State)

I, Renee Wood, as an authorized representative of the taxpayer named above, affirm that the purchases qualify for the exemption and will be used at the location of the facility address referenced above. Under penalty of perjury, I affirm this to be a true and correct statement.

Renee Wood, Finance Director
Signature of Authorized Representative: Renee Wood
Date: 7/27/19

THISTLE FARMS

LOVE HEALS

Thistle Farms is a nonprofit social enterprise dedicated to helping women survivors recover and heal from trafficking, prostitution, and addiction. We do this by providing a safe place to live, a meaningful job, and a lifelong community of support. We believe that love is the most powerful force for change in the world.

We live out our mission through three integrated paths:

1. Thistle Farms Residential Program:

Thistle Farms residential program offers survivors housing, individual case management, mental and physical healthcare, education, transportation, job skills training, and employment—all free of charge. Thistle Farms owns six homes that together house up to 24 women and supply office space for our residential staff. We are in the process of building an additional residence that will bring our total residential program capacity to 32. Our homes operate without 24 hour live-in staff, and rely on residents to create a supportive community, maintain recovery, and share household tasks. Our residential department also includes emergency services for women in our safe house as well as our therapeutic program within the Tennessee Prison for Women, Thistle on the Inside.

2. Thistle Farms Social Enterprises:

Thistle Farms operates three nationally recognized, market-competitive social enterprises—Body & Home, The Cafe at Thistle Farms, and Thistle Farms Global. The goal of each is to provide gateway jobs for those we serve as well as provide an entrepreneurial income stream for Thistle Farms. Our social enterprises employ 59 survivors and offer financial recovery in addition to physical and mental recovery, paying over \$2m in wages this past year. This aspect of our work is important, not only because of its clear goal of bringing individuals in need back to the dignity and productivity of employment, but because of our mission to transform women's lives.

3. Thistle Farms National Network:

A coordinated movement of survivors, customers, advocates, and communities who collaborate on innovative ways to deliver justice and challenge systems that commodify and abuse women. The Thistle National Network now includes 62 organizations with open residences based on Thistle Farms' holistic model, as well as 42 additional organizations in the start-up phase of development. We provide mentorship, intensive programmatic and social entrepreneurship support, and a referral network to survivor service organizations across the US. Together the survivor-centered network can house over 500 women across the country. Most recently, we have opened an office in Washington, DC that will focus on addressing public policy and advocacy efforts to help individuals negatively impacted by commercial sexual exploitation.

THISTLE FARMS

LOVE HEALS

According to data collected by Polaris, substance use disorder is the number one risk factor for sexual exploitation in the US. The Department of State's 2020 Trafficking in Persons Report identified the role addiction plays in human trafficking as "powerful and pervasive," increasing an individual's vulnerability to being trafficked, used as a means of coercion and control, and a strategy employed to cope with the trauma associated with being bought and sold. A recent roundtable discussion hosted by the National Trafficking Sheltered Alliance brought together experts and leaders in the field of anti-trafficking, and all participants unanimously agreed that the public health and economic crises associated with the pandemic allowed traffickers to capitalize on the chaos to increase exploitation. Furthermore, 71% of trafficking victims around the world are women and girls, an already marginalized demographic. On the local level, data compiled from the United States Census Bureau and Brookings Institution revealed that zip code 37208 (where a majority of our program participants live) not only has the highest incarceration rate in the country, but 66% of households live below the poverty line and receive supplemental benefits. In addition, 30% of the households in the area total annual income is below \$25,000. Clearly, the need for housing, recovery support, and increased access to economic opportunity is great.

Thistle Farms helps survivors of trafficking, prostitution, and addiction break the cycles of poverty, homelessness, and abuse by providing two full years of housing, healthcare, and on-the-job vocational training completely free of charge. Over 90% of residents have gone through short-term treatment programs only to relapse, return to the street, and be jailed again. The majority of women who come to Thistle Farms experienced sexual abuse beginning between ages 7 and 11, began alcohol/drug usage by age 13, and have endured one decade of commercial sexual exploitation. Current residents report spending 18 years on average on the streets and in active addiction, and 90% have been incarcerated. 99% have experienced homelessness, 24% a physical disability, and 38% report a chronic disease. 100% have incomes below poverty and 76% have a diagnosed mental illness. By providing a trauma-informed environment, Thistle Farms promotes the health practices and well-being needed to restore survivors' physical and psychological wholeness.

Upon entry into the program, each resident is immediately provided basic needs and creates an individualized recovery plan with milestones to meet for mental and physical health, sobriety, education, employment, and housing. Within the first 90 days, residents begin a job-readiness course designed specifically for survivors to give them the confidence and skills needed to successfully reenter the workforce. While in our residential program, residents receive training and employment at our social enterprises, ongoing recovery support, and trauma-informed care. Thistle Farms understands that when women survivors receive the comprehensive care needed to physically and mentally recover, reenter the workforce, and achieve financial independence, our community becomes safer, stronger, and more vibrant.

THISTLE FARMS, INC. AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

THISTLE FARMS, INC. AND SUBSIDIARIES

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Report of Independent Auditor

To the Board of Directors
Thistle Farms, Inc. and Subsidiaries
Nashville, Tennessee

We have audited the accompanying consolidated financial statements of Thistle Farms, Inc. and Subsidiaries (a nonprofit organization), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Thistle Farms, Inc. and Subsidiaries as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Cherry Bekaert LLP

Nashville, Tennessee
October 29, 2021

THISTLE FARMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 2,770,140	\$ 3,017,443
Unconditional promises to give, current	120,775	216,625
Accounts receivable, net	88,721	37,636
Inventories	706,741	551,920
Other current assets	<u>162,131</u>	<u>112,107</u>
Total Current Assets	3,848,508	3,935,731
Cash restricted for endowment	64,619	57,879
Beneficial interest in assets at Community Foundation of Middle Tennessee	114,221	96,765
Third mortgages receivable	20,000	20,000
Property and equipment, net	<u>5,494,917</u>	<u>4,266,370</u>
Total Assets	<u><u>\$ 9,542,265</u></u>	<u><u>\$ 8,376,745</u></u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 466,569	\$ 394,152
Deferred trade revenue	97,339	39,373
Deferred government grant revenue	<u>695,578</u>	<u>695,500</u>
Total Current Liabilities	1,259,486	1,129,025
Unearned revenue on third mortgages	<u>20,000</u>	<u>20,000</u>
Total Liabilities	<u>1,279,486</u>	<u>1,149,025</u>
Net Assets:		
Without donor restrictions	6,533,214	5,692,825
With donor restrictions	<u>1,729,565</u>	<u>1,534,895</u>
Total Net Assets	<u>8,262,779</u>	<u>7,227,720</u>
Total Liabilities and Net Assets	<u><u>\$ 9,542,265</u></u>	<u><u>\$ 8,376,745</u></u>

THISTLE FARMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:			
Contributions	\$ 2,536,492	\$ 578,925	\$ 3,115,417
Product sales	3,143,039	-	3,143,039
Café sales	852,075	-	852,075
Government grants	778,160	-	778,160
Grants	458,250	-	458,250
In-kind	87,743	-	87,743
Other	71,214	-	71,214
Net assets released from restrictions	161,402	(161,402)	-
Total Operating Revenue and Support	<u>8,088,375</u>	<u>417,523</u>	<u>8,505,898</u>
Operating Expenses:			
Salaries, taxes, and benefits	3,356,126	-	3,356,126
Cost of sales	2,381,013	-	2,381,013
Other operating expenses	1,913,574	-	1,913,574
Total Operating Expenses before Depreciation	<u>7,650,713</u>	<u>-</u>	<u>7,650,713</u>
Change in net assets from operations before depreciation expense	437,662	417,523	855,185
Depreciation and amortization expense	672,313	-	672,313
Change in Net Assets from Operations	<u>(234,651)</u>	<u>417,523</u>	<u>182,872</u>
Nonoperating Revenue and Support:			
Contributions - capital	-	141,947	141,947
Contributions - endowment	-	6,740	6,740
Contributions - property and equipment	703,500	-	703,500
Net assets released from capital restrictions	371,540	(371,540)	-
Total Nonoperating Revenue and Support	<u>1,075,040</u>	<u>(222,853)</u>	<u>852,187</u>
Change in net assets	840,389	194,670	1,035,059
Net assets, beginning of year	5,692,825	1,534,895	7,227,720
Net assets, end of year	<u>\$ 6,533,214</u>	<u>\$ 1,729,565</u>	<u>\$ 8,262,779</u>

THISTLE FARMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenue and Support:			
Contributions	\$ 2,837,107	\$ 147,200	\$ 2,984,307
Product sales	2,991,618	-	2,991,618
Café sales	860,001	-	860,001
Grants	738,500	-	738,500
In-kind	64,209	-	64,209
Other	38,767	3,160	41,927
Net assets released from restrictions	53,981	(53,981)	-
Total Operating Revenue and Support	<u>7,584,183</u>	<u>96,379</u>	<u>7,680,562</u>
Operating Expenses:			
Salaries, taxes, and benefits	3,124,211	-	3,124,211
Cost of sales	2,235,895	-	2,235,895
Other operating expenses	1,653,126	-	1,653,126
Total Operating Expenses before Depreciation	<u>7,013,232</u>	<u>-</u>	<u>7,013,232</u>
Change in net assets from operations before depreciation expense	570,951	96,379	667,330
Depreciation and amortization expense	601,724	-	601,724
Change in Net Assets from Operations	<u>(30,773)</u>	<u>96,379</u>	<u>65,606</u>
Nonoperating Revenue and Support:			
Contributions - capital	100,003	1,290,000	1,390,003
In-kind - capital	7,500	-	7,500
Net assets released from capital restrictions	50,000	(50,000)	-
Total Nonoperating Revenue and Support	<u>157,503</u>	<u>1,240,000</u>	<u>1,397,503</u>
Change in net assets	126,730	1,336,379	1,463,109
Net assets, beginning of year	5,566,095	198,516	5,764,611
Net assets, end of year	<u>\$ 5,692,825</u>	<u>\$ 1,534,895</u>	<u>\$ 7,227,720</u>

THISTLE FARMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Social Enterprise	Residential Services	National Network	Global Program		Management and General	Fundraising	Total Supporting Services	
Salaries, taxes, and benefits	\$ 1,405,826	\$ 476,630	\$ 279,412	\$ 77,495	\$ 2,239,363	823,818	\$ 292,945	\$ 1,116,763	\$ 3,356,126
Cost of sales - materials	1,176,293	-	-	-	1,176,293	-	-	-	1,176,293
Cost of sales - labor	925,800	-	-	-	925,800	-	-	-	925,800
Other program expenses	8,690	170,893	1,638	46,155	227,376	2,273	9	2,282	229,658
Legal and professional	82,830	24,044	42,936	9,711	159,521	52,639	7,328	59,967	219,488
Equipment and computer software	99,083	11,291	2,206	-	112,580	74,096	28,531	102,627	215,207
Rent and occupancy	92,941	35,001	13	-	127,955	32,631	15	32,646	160,601
Utilities and telephone	33,341	62,632	75	-	96,048	55,810	-	55,810	151,858
Cost of sales - fees	145,786	-	-	-	145,786	-	-	-	145,786
Repairs and maintenance	45,296	70,009	870	-	116,175	18,420	2,661	21,081	137,256
Contract labor	67,969	15,038	16,127	2,043	101,177	20,691	12,841	33,532	134,709
Cost of sales - shipping	133,134	-	-	-	133,134	-	-	-	133,134
Advertising and promotion	79,167	1,585	6,862	306	87,920	7,522	14,377	21,899	109,819
Mental health	-	93,096	-	-	93,096	-	-	-	93,096
In-kind expenses	4,808	60	361	-	5,229	361	82,153	82,514	87,743
Printing and supplies	25,845	3,038	2,720	576	32,179	9,989	29,188	39,177	71,356
Insurance	-	1,797	-	-	1,797	67,185	-	67,185	68,982
Travel, meals and entertainment	13,806	27,186	8,829	472	50,293	10,737	1,196	11,933	62,226
Medical	-	41,305	-	-	41,305	429	-	429	41,734
Miscellaneous	6,533	2,449	9,327	3,000	21,309	4,341	11,559	15,900	37,209
Dues, licenses, and fees	12,322	8,574	4,597	-	25,493	7,733	2,003	9,736	35,229
Interest and fees	470	-	-	-	470	5,283	17,255	22,538	23,008
Stipends	-	22,121	-	-	22,121	-	-	-	22,121
Research and development	12,228	-	46	-	12,274	-	-	-	12,274
Total Expenses before Depreciation	4,372,168	1,066,749	376,019	139,758	5,954,694	1,193,958	502,061	1,696,019	7,650,713
Depreciation and amortization	295,276	142,484	-	-	437,760	204,082	30,471	234,553	672,313
Total Expenses	\$ 4,667,444	\$ 1,209,233	\$ 376,019	\$ 139,758	\$ 6,392,454	\$ 1,398,040	\$ 532,532	\$ 1,930,572	\$ 8,323,026

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

THISTLE FARMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services				Total Program Services	Supporting Services			Total Expenses
	Social Enterprise	Residential Services	National Network	Global Program		Management and General	Fundraising	Total Supporting Services	
Salaries, taxes, and benefits	\$ 1,513,905	\$ 535,883	\$ 238,577	\$ 66,383	\$ 2,354,748	\$ 576,243	\$ 193,220	\$ 769,463	\$ 3,124,211
Cost of sales - materials	1,197,348	-	-	-	1,197,348	-	-	-	1,197,348
Cost of sales - labor	756,607	-	-	-	756,607	-	-	-	756,607
Program - other expenses	123,930	63,692	13,165	59,063	259,850	3,398	181	3,579	263,429
Professional and contract services	82,779	40,289	29,918	6,000	158,986	73,347	18,919	92,266	251,252
Advertising and marketing	116,140	4,189	27,692	1,245	149,266	9,189	19,961	29,150	178,416
General and administrative expenses	73,265	6,434	3,605	62	83,366	58,846	24,150	82,996	166,362
Cost of sales - fees and services	159,787	-	-	-	159,787	-	-	-	159,787
Cost of sales - shipping and freight	116,814	-	-	-	116,814	-	-	-	116,814
Repairs and maintenance	17,024	32,321	-	-	49,345	52,968	-	52,968	102,313
Travel, meals, and entertainment	17,760	15,863	18,545	19,284	71,452	13,375	4,744	18,119	89,571
Utilities	35,288	31,640	-	-	66,928	19,765	-	19,765	86,693
Program - mental health expenses	-	74,025	-	-	74,025	-	-	-	74,025
In-kind expenses	-	-	-	-	-	-	71,709	71,709	71,709
Insurance	-	-	-	-	-	62,500	-	62,500	62,500
Phone and internet	8,649	23,455	-	-	32,104	24,169	-	24,169	56,273
Program - medical expenses	46	40,344	-	-	40,390	104	23	127	40,517
Printing and copying	5,625	53	315	-	5,993	315	32,281	32,596	38,589
Miscellaneous	8,186	11,610	974	225	20,995	4,947	822	5,769	26,764
Dues, licenses, and fees	15,035	317	2,018	-	17,370	5,684	1,356	7,040	24,410
Professional development	4,849	11,049	2,306	-	18,204	2,400	900	3,300	21,504
Credit card and bank fees	1,889	-	-	-	1,889	1,678	14,901	16,579	18,468
Research and development	15,875	5	158	112	16,150	31	36	67	16,217
Program - graduate investment matching	-	14,727	-	-	14,727	-	-	-	14,727
Program - food and household supplies	-	13,837	-	-	13,837	-	-	-	13,837
Program - resident stipends	-	12,224	-	-	12,224	-	-	-	12,224
Taxes	6,493	-	-	-	6,493	1,709	-	1,709	8,202
Event fees	5,329	557	335	-	6,221	195	723	918	7,139
Bad debt expense	6,085	-	-	-	6,085	-	247	247	6,332
Cost of sales - printing	5,339	-	-	-	5,339	-	-	-	5,339
Interest	-	-	-	-	-	1,653	-	1,653	1,653
Total Expenses before Depreciation	4,294,047	932,514	337,608	152,374	5,716,543	912,516	384,173	1,296,689	7,013,232
Depreciation and amortization	283,025	106,184	-	-	389,209	181,592	30,923	212,515	601,724
Total Expenses	\$ 4,577,072	\$ 1,038,698	\$ 337,608	\$ 152,374	\$ 6,105,752	\$ 1,094,108	\$ 415,096	\$ 1,509,204	\$ 7,614,956

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

THISTLE FARMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,035,059	\$ 1,463,109
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Noncash contribution of property and equipment	(703,500)	-
Contributions restricted for long-term purposes	(141,947)	(1,390,003)
Depreciation	672,313	601,724
Change in beneficial interest in assets	(17,456)	1,840
Provision for bad debts	-	6,332
Change in operating assets and liabilities:		
Accounts receivable	(51,085)	(1,840)
Unconditional promises to give	237,797	(49,768)
Inventories	(154,821)	55,732
Other current assets	(50,024)	(310)
Accounts payable and accrued expenses	72,417	192,165
Deferred trade revenue	57,966	-
Deferred government grant revenue	78	692,464
Net cash flows from operating activities	<u>956,797</u>	<u>1,571,445</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(1,197,360)</u>	<u>(269,331)</u>
Net cash flows from investing activities	<u>(1,197,360)</u>	<u>(269,331)</u>
Cash flows from financing activities:		
Contributions restricted for long-term purposes	<u>-</u>	<u>1,240,003</u>
Net cash flows from financing activities	<u>-</u>	<u>1,240,003</u>
Change in cash and cash equivalents	(240,563)	2,542,117
Cash and cash equivalents, beginning of year	3,075,322	533,205
Cash and cash equivalents, end of year	<u>\$ 2,834,759</u>	<u>\$ 3,075,322</u>
Cash and cash equivalents consist of the following:		
Cash and cash equivalents	\$ 2,770,140	\$ 3,017,443
Cash restricted for endowment	64,619	57,879
	<u>\$ 2,834,759</u>	<u>\$ 3,075,322</u>
Supplemental disclosure of cash flow information:		
Noncash donation of property and equipment	<u>\$ 703,500</u>	<u>\$ -</u>

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of organization and summary of significant accounting policies

Nature of Organization – Thistle Farms, Inc. and Subsidiaries (the “Organization”) is a nonprofit corporation, organized in the state of Tennessee in 1993. Its mission is to heal, empower, and employ women survivors of trafficking, prostitution, and addiction by providing safe and supportive housing, the opportunity for economic independence, and a strong community of advocates and partners.

The Organization operates from facilities located in Nashville, Tennessee and attracts its participants and its support primarily from the Middle Tennessee area. The Organization is supported primarily by contributions from the general public, Thistle Farms product sales, Café sales, and fundraising events.

The following program services are provided by the Organization:

Social Enterprise – Residents and graduates of our residential program are often employed in one of our social enterprises. Here the women can learn new job skills and make a living wage to support themselves. Body & Home, Thistle Farms’ largest nonprofit social enterprise, creates natural bath and body products and has grown into a national brand that sells a variety of product lines. Everything we produce is hand poured in small batches by women survivors, using pure essential oils to promote wellness and healing. The Café at Thistle Farms is a restaurant and special event space located at the heart of the Thistle Farms campus. With a produce-driven, full-service menu, the Café serves locally-sourced breakfast, lunch, and Nashville’s only daily tea service. In addition, the Café at Thistle Farms offers an array of options and services for special events.

Residential Services – Our two-year residential program is based in Nashville, Tennessee. We are able to house up to 26 residents at a time in a therapeutic setting that offers women survivors a peaceful place where they can experience transformative, sustainable recovery through two years of rent-free housing, healthcare, counseling, employment, and community building. When entering the program, our residents help create their own personalized plan for their healthcare and therapeutic needs. For the first four to six months, residents focus on recovery, attending group meetings, medical appointments, individual therapy, and other educational courses. While in the program, women are also eligible for our savings program that provides a match of resident’s savings per year. After two years in the residential program, women become candidates for graduation, a celebratory event that takes place each spring. And after graduation, many women continue working in Thistle Farms’ social enterprises and often move into full-time and supervisory positions. Others take the skills they have acquired and find work in the community. We also offer a program within the Tennessee Prison for Women called Thistle on the Inside, that allows women to begin their healing journey within prison walls. Women in this program receive education and group therapy that, upon release, eases their transition into one of our residential homes. The new Safe House provides physical and emotional safety, while we work to find long-term housing and resources for women to continue their healing journey. We provide food, hygiene supplies, medical care, mental health services, and chemical dependency support with dignity and respect for the women.

National Network – The Thistle Farms National Network is comprised of like-minded organizations committed to connecting survivors of prostitution, trafficking, and addiction to hope, healing, and empowerment. To date, over 100 organizations throughout the country have programs based on Thistle Farms’ model of recovery; 64 of these organizations have residential programs to house women survivors, while the other half are in the early stages of development.

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of organization and summary of significant accounting policies (continued)

Global Program – Thistle Farms Global addresses trafficking, trauma and extreme poverty through an aligned network of artisan survivor justice enterprises supporting women’s dignity and economic freedom. This model is designed to increase the value of artisans in the market chain through increased percentage of sales and access to a global community of support including mentoring, workshops, business development, as well as product and brand development. With the support and sales generated through Thistle Farms Global, partner enterprises can hire more women, increase wages, and reinvest in their communities.

The Organization has established a wholly-owned subsidiary, Magdalene Homes, LLC, to construct residential housing for graduates of its program.

Principles of Consolidation – The consolidated financial statements include the accounts and activities of Thistle Farms, Inc. and Magdalene Homes, LLC. All significant intercompany accounts and transactions have been eliminated in consolidation. Magdalene Homes, LLC was dormant during the years ended June 30, 2021 and 2020.

Basis of Presentation – The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time and net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Generally, the donors of assets to be held in perpetuity permit the Organization to use all or part of the income earned and any related investments for general or specific purposes. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Cash and Cash Equivalents – For purposes of the consolidated statements of cash flows, the Organization considers all cash and related short-term investments with original maturities of three months or less to be cash equivalents.

Unconditional Promises to Give – Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor restrictions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Organization uses the allowance method to determine uncollectible unconditional promises to give.

Other Receivables – Other receivables represent amounts due from government grants and other miscellaneous balances owed to the Organization.

Inventories – Inventories consisting primarily of bath and home products and related raw materials are stated at the lower of cost or market. Cost is determined by the first-in, first-out method.

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of organization and summary of significant accounting policies (continued)

Property and Equipment – Property and equipment are recorded at cost or, if donated, at the estimated fair market value at the date of donation. Depreciation is provided using the straight-line basis over the estimated useful lives of the respective assets, which range from three to thirty-nine years. Expenditures for repairs and maintenance are charged to expense as incurred. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements.

Income Taxes – The Organization 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.

In-Kind Contributions – The Organization records various types of in-kind support. Contributions of tangible assets are recognized at fair value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are typically offset by like amounts included in expenses, except for contributions of property and equipment.

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. The Organization receives contributed time from volunteers which does not meet this recognition criteria. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

Functional Allocation of Expenses – The costs of providing programs and supporting services have been summarized on a functional basis in the consolidated statement of functional expenses. Expenses that relate to more than one function are allocated among applicable functions on the basis of objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. Expenses that have been allocated consist primarily of salaries and related expenses and depreciation.

Use of Estimates – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Advertising Costs – The cost of advertising is expensed when incurred. Advertising and promotion expense amounted to \$146,104 and \$96,689 during the years ended June 30, 2021 and 2020, respectively.

Shipping and Handling Costs – Shipping billed to customers is considered an offset to the related cost of sales of shipping.

Endowment Funds – U.S. GAAP states that a nonprofit organization should classify the portion of a donor-restricted endowment fund that is not restricted in perpetuity by the donor or by law as net assets with donor restrictions (time restricted) until it is appropriated for expenditure and donor-imposed purpose restrictions, if any, are met. When the purpose restrictions, if any, on the portion of donor-restricted endowment funds are met and the appropriation has occurred, net assets with donor restrictions are reclassified to net assets without donor restrictions. The guidance also requires additional disclosures applicable to all nonprofit organizations.

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of organization and summary of significant accounting policies (continued)

Those disclosures provide: a) a description of an organization's policies for making appropriations for expenditures from endowment funds (i.e., the organization's endowment spending policies), b) a description of an organization's investment policies for endowment funds, c) a description of an organization's endowment by net asset class at the end of the period in total and by type of endowment fund, d) a reconciliation of the beginning and ending balances of endowment funds in total and by net asset class, and e) a description of an organization's interpretation of the laws underlying the net asset classification of donor-restricted endowment funds.

New Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers (Topic 606)*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. During the year ended June 30, 2021, the Organization adopted ASU 2014-09 using the modified retrospective approach and determined there was no cumulative effect adjustment. (See Note 2.)

Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right of use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. The Organization is currently in the process of evaluating the impact of adoption of this ASU on the consolidated financial statements.

Note 2—Revenue recognition

Effective July 1, 2020, the Organization adopted Topic 606, which requires an entity to recognize revenue when it transfers the promised goods or services to a customer in an amount that reflects consideration to which the entity expects to be entitled to in exchange for those goods and services. As disclosed in Note 1, the Organization adopted Topic 606 using the modified retrospective method, which recognizes the cumulative effect of initial adoption as of the effective date to net assets. There was no impact to net assets as of July 1, 2020 as a result of the adoption of Topic 606.

The Organization recognizes revenue for services in accordance with the following five steps outlined in ASC 606:

- Identification of the contract or contracts with a customer.
- Identification of the performance obligations in the contract.
- Determination of the transaction prices.
- Allocation of the transaction price to the performance obligations in the contract.
- Recognition of revenue when or as the Organization satisfies a performance obligation.

The Organization has analyzed the provisions of Topic 606 and has concluded the following:

Contract Balances – Net accounts receivable related to exchange transactions were \$28,043 and \$36,561 as of June 30, 2021 and 2020, respectively. Deferred revenue was \$97,339 and \$39,373 as of June 30, 2021 and 2020, respectively.

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Revenue recognition (continued)

Accounts receivable consist of amounts due from product sales to retailers and are presented net of an allowance for doubtful accounts. Management evaluates the collectability of accounts receivable based primarily on the length of time the receivables are past due, historical experience, and an individual customer's ability to meet their financial obligations. When it has been determined to be probable that an account is uncollectible, the Organization recognizes an allowance for doubtful accounts. However, actual accounts receivable write-offs might differ from management's estimate. The allowance for doubtful accounts included in accounts receivable, net totaled \$7,702 and \$11,310, respectively, at June 30, 2021 and 2020.

Deferred trade revenue represents cash received in advance of the fulfillment of sales orders. Such revenues will be recognized in the subsequent year. Also included in unearned revenue is an amount related to the future redemption of gift cards sold to customers. Such revenue will be recognized when redeemed by the customer.

Sales of Products – Sales of product and Café goods are recognized at the time of delivery to the customer and when collectability is reasonably assured. Such revenue is included in product and Café sales in the accompanying consolidated statements of activities. Revenue is recorded net of estimated and actual sales adjustments in the same period the related revenues are recorded or when current information indicates additional allowances are required. These estimates are based on the Organization's historical experience, specific customer information and current economic conditions.

Performance Obligations – 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 under Topic 606. The transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied. The Organization's contracts with customers do not typically include multiple performance obligations.

Variable Consideration – The Organization's contracts with customers do not result in contract modifications. The Organization offers immaterial discounts to its customers, which it nets with total sales in the accompanying consolidated statements of activities. The discounts offered by the Organization are fixed, and are recognized at the point in time that the sale occurs.

Payment Terms – The Organization's payment terms vary by the type of products offered. The time between invoicing and when payment is due is not significant. The Organization's contracts with customers do not generally result in significant obligations associated with returns, refunds, or warranties. Revenue is recognized net of taxes collected from customers, which are subsequently remitted to governmental authorities.

Contract Costs – The Organization does not recognize any assets associated with the incremental costs of obtaining a contract with a customer (for example, a sales commission) that the Organization expects to recover. Most revenue is recognized at a point-in-time or over a period of one year or less, and the Organization uses the practical expedient that allows the Organization to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that would have otherwise been recognized is one year or less.

Practical Expedients and Exemptions – There are several practical expedients and exemptions allowed under Topic 606 that impact timing of revenue recognition and disclosures. The Organization applied a practical expedient in the adoption and application of ASC 606 allows the Organization to elect to treat similar contracts as part of a portfolio of contracts. The contracts have the same provision terms and management has the expectation that the result will not be materially different from the consideration of each individual contract.

THISTLE FARMS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 2—Revenue recognition (continued)

Disaggregation of Revenue – The table below depicts the disaggregation of revenue by product type for the years ended June 30, 2021 and 2020, and is consistent with how the Organization evaluates financial performance.

	<u>2021</u>	<u>2020</u>
Product sales:		
Body & Home	\$ 2,634,084	\$ 2,522,658
Global retail	508,955	468,960
Café sales	<u>852,075</u>	<u>860,001</u>
	<u>\$ 3,995,114</u>	<u>\$ 3,851,619</u>

Note 3—Liquidity

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its ongoing activities of providing programs and services to help heal and employ women survivors as well as conduct of services undertaken to support those activities to be general expenditures. The Organization maintains a line of credit with maximum borrowings of \$600,000 (see Note 5) with a financial institution that is drawn upon during the year to manage cash flow, if needed.

As a part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Financial assets available for general expenditure, 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>2021</u>	<u>2020</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 2,770,140	\$ 3,017,443
Unconditional promises to give, current	120,775	216,625
Accounts receivable, net	<u>88,721</u>	<u>37,636</u>
Total financial assets	<u>2,979,636</u>	<u>3,271,704</u>
Less amounts not available to be used for general expenditures within one year:		
Purpose and time restrictions	120,775	140,251
Capital Campaign Expansion Phase II	<u>1,010,832</u>	<u>1,240,000</u>
Financial assets not available to be used within one year	<u>1,131,607</u>	<u>1,380,251</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,848,029</u>	<u>\$ 1,891,453</u>

THISTLE FARMS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Property and equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land and buildings	\$ 6,575,155	\$ 4,933,369
Leasehold improvements	805,177	795,896
Furniture, fixtures, and equipment	1,067,076	900,033
Vehicles	145,986	100,486
Capitalized software	120,615	111,165
Construction in progress	40,522	12,723
	<u>8,754,531</u>	<u>6,853,672</u>
Less accumulated depreciation	<u>(3,259,614)</u>	<u>(2,587,302)</u>
	<u>\$ 5,494,917</u>	<u>\$ 4,266,370</u>

Note 5—Line of credit

The Organization has a line of credit agreement with a financial institution that allows for maximum borrowings of \$600,000. The line of credit agreement matures on November 5, 2021. The line of credit is secured by certain real estate and bears interest at the prime rate. The line of credit requires monthly interest payments. No amounts were outstanding at June 30, 2021 and 2020.

Note 6—Net assets with donor restrictions

Net assets with donor restrictions consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Contributions received for Capital Campaign Expansion Phase II	\$ 1,010,832	\$ 1,090,000
Grants	419,118	73,626
Endowment	145,315	138,575
Unconditional promises to give		
due in future periods - operating and programmatic	120,775	66,625
Earnings on endowment funds	33,525	16,069
Unconditional promises to give due in future periods - capital	-	150,000
	<u>\$ 1,729,565</u>	<u>\$ 1,534,895</u>

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 7—Donated materials and services

The Organization received in-kind contributions as follows during the years ended June 30:

	<u>2021</u>	<u>2020</u>
Capital campaign	\$ 703,500	\$ 7,500
Legal and professional	81,818	63,909
Other	5,925	300
	<u>\$ 791,243</u>	<u>\$ 71,709</u>

During the year ended June 30, 2021, the Organization received a donation consisting of land and building. The property was valued at \$655,000 based on local appraisals. This is included in the capital campaign amount above and in the contributions of property and equipment reflected on the consolidated statement of activities. The Organization intends to use this property for housing certain of its program participants in the near term. The donor made no stipulations regarding the use of this property.

Note 8—Magdalene Homes, LLC

Magdalene Homes, LLC, was organized on April 1, 2004, as a Tennessee limited liability company and is owned 100% by Thistle Farms, Inc. for the purpose of purchasing real estate and building residential homes for graduates of its program. During the year ended June 30, 2008, the construction of two homes was completed and the homes were sold to former Magdalene residents. The sales price of the two homes included unearned revenue for third mortgages of \$20,000. Unearned revenue on third mortgages represents the non-interest bearing third mortgage loans held by the Organization related to these homes. The homeowners were required to sign a third mortgage for the difference between the estimated fair market value of the home, and the balance of other mortgages at the transfer date. The Organization does not foresee collection of the third mortgage loans except in the event of sale, refinance, or other transfer of the home by the owner.

Note 9—Concentrations

The Organization maintains its cash in bank accounts that at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts. Deposits are insured by the Federal Deposit Insurance Corporation. Management believes the Organization is not exposed to any significant credit risk on cash. Uninsured balances at June 30, 2021 and 2020 totaled approximately \$2,512,000 and \$2,818,000, respectively. Management of the Organization deposits cash funds in quality financial institutions to mitigate the risk of exposure.

The Organization also receives a significant amount of its support from contributions and grants. During the years ended June 30, 2021 and 2020, contributions from one donor represented approximately 24% and 23%, respectively, of contributions from individuals, corporations, and capital campaign donors. This same donor contributed approximately 71% of the Organization's capital campaign funding during the year ended June 30, 2020. Similarly, pledges receivable from three and five donors represented approximately 92% of pledges receivable (unconditional promises to give) at June 30, 2020.

THISTLE FARMS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 10—Endowment

Net assets with donor restrictions consist of contributions whose principal is to be held in perpetuity in accordance with terms prescribed by the donors. The income from contributions to be held in perpetuity is expendable to provide maintenance on a resident home. Net assets to be held in perpetuity totaled \$145,315 and \$138,575 at June 30, 2021 and 2020, respectively.

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring that the Organization classify as net assets with donor restrictions: a) the original value of donor-restricted gifts to the endowment, b) the original value of subsequent donor-restricted gifts to the endowment, and c) accumulations (interest, dividends, and capital gain/loss) to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the endowment fund is classified as net assets with donor restrictions until those amounts are approved for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the Organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the Organization
- The investment policies of the Organization

Endowment net asset composition by type of fund at June 30, 2021 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds including unappropriated earnings	<u>\$ -</u>	<u>\$ 178,840</u>	<u>\$ 178,840</u>

Endowment net asset composition by type of fund at June 30, 2020 is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds including unappropriated earnings	<u>\$ -</u>	<u>\$ 154,644</u>	<u>\$ 154,644</u>

THISTLE FARMS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 10—Endowment (continued)

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 154,644	\$ 154,644
Contributions for endowment	-	6,740	6,740
Grant disbursement	-	(5,100)	(5,100)
Investment return	-	22,556	22,556
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 178,840</u>	<u>\$ 178,840</u>

Changes in endowment net assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 155,909	\$ 155,909
Contributions for endowment	-	575	575
Grant disbursement	-	(5,000)	(5,000)
Investment return	-	3,160	3,160
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 154,644</u>	<u>\$ 154,644</u>

The Organization has contributed approximately \$81,000 of its endowment assets to be held at the Community Foundation of Middle Tennessee. The remainder of the endowment assets is comprised of cash held by the Organization. The Organization does not have a formal investment and spending policy for its endowment assets.

Note 11—Related party transactions

The Organization receives voluntary contributions, gift-in-kind donations, and volunteer labor from various board members and their companies throughout the year.

Note 12—Retirement plan

During 2019, the Organization created a retirement plan covering substantially all employees. The Organization makes matching contributions up to 4% of compensation for employees who have contributed to the plan. The Organization made a contribution of \$79,357 and \$73,838 to the plan during the years ended June 30, 2021 and 2020, respectively.

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 13—Lease commitments

The Organization leases certain warehouse space under noncancelable operating leases. Future minimum lease payments under noncancelable leases at June 30, 2021 are as follows:

Years Ending June 30,

2022	\$	104,127
2023		81,213
2024		81,395
2025		81,152
2026		81,061
Thereafter		13,555
	\$	<u>442,503</u>

Total rental expense for the years ended June 30, 2021 and 2020 was approximately \$138,000 and \$134,000, respectively.

During the year ended June 30, 2021, the Organization began leasing one of its properties to an unrelated third party for \$1,400 monthly. This leasing arrangement extends through August 2022.

Note 14—Capital campaign

During the year ended June 30, 2020, the Organization began a capital campaign in order to amplify the Organization's impact through several initiatives. Such initiatives include expanding the residential program by increasing housing for the women served, promoting national awareness and sales growth, and strengthening systems infrastructure. These goals indicated a need for the Organization to raise approximately \$2,000,000. As of June 30, 2021, this goal was substantially met.

Note 15—Deferred grant revenue

During the year ended June 30, 2020, the Organization received a loan under the Paycheck Protection Program ("PPP") in the amount of \$695,500, which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") and administered by the Small Business Administration ("SBA"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for Profit Entities - Revenue Recognition*. The loan must be repaid if the Organization does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. The Organization deferred recognition of grant revenue for the year ended June 30, 2020, because the conditions for forgiveness had not yet been substantially met. In December 2020, the PPP loan of \$695,500, plus accrued interest, was fully forgiven by the SBA and was recognized in government grants within the consolidated statement of activities for the year ended June 30, 2021.

Under the same terms and requirements, the Organization received a second PPP loan in the amount of \$695,578, which was established by the CARES Act and administered by the SBA. The Organization has deferred recognition of grant revenue for the year ended June 30, 2021, because the conditions for forgiveness have not yet been substantially met.

THISTLE FARMS, INC. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Note 16—Uncertainty

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

Note 17—Subsequent events

In accordance with U.S. GAAP related to subsequent events, the Organization has evaluated events subsequent to the statement of financial position date of June 30, 2021 through October 29, 2021, which is the date these financial statements were available to be issued and has determined there are no subsequent events that require disclosure other than as follows:

In August 2021, the Organization closed on the purchase of undeveloped property on which the Organization plans to construct affordable housing units for graduates of its programs. This property was purchased for \$190,000.

In August 2021, the Organization entered into a lease for 20,000 square feet of warehouse and office space. This lease term extends through July 2031 and stipulates monthly payments beginning at \$15,184 (\$182,200 annually) with 3% annual increases thereafter.