

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
  
FINANCIAL STATEMENTS  
  
JUNE 30, 2019 AND 2018



**DANA F. COLE  
& COMPANY, LLP**  
CERTIFIED PUBLIC ACCOUNTANTS

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
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**DANA F. COLE  
& COMPANY<sup>LLP</sup>**  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Lincoln/Lancaster County Habitat for Humanity  
Lincoln, Nebraska

We have audited the accompanying financial statements of Lincoln/Lancaster County Habitat for Humanity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lincoln/Lancaster County Habitat for Humanity as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## Emphasis of Matter

As discussed in Note 1 to the financial statements, in fiscal year ending June 30, 2019, the Habitat adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

## Report on Summarized Comparative Information

We have previously audited Lincoln/Lancaster County Habitat for Humanity's 2018 financial statements, and in our report dated October 2, 2018, we expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana F Cole + Company, LLP

Lincoln, Nebraska  
October 8, 2019

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	ASSETS	2019	2018
<b>ASSETS</b>			
Cash and cash equivalents		415,467	227,424
Restricted cash		150,201	142,694
Prepaid expenses and other assets		54,283	43,383
Grants receivable		167,849	
Notes receivable		78,910	75,510
Mortgage loans receivable, net of discount		2,615,286	1,973,448
Inventory - lots and homes		506,303	498,963
Inventory - ReStore		18,835	17,649
Property and equipment, net		<u>536,937</u>	<u>481,673</u>
<b>TOTAL ASSETS</b>		<u><u>4,544,071</u></u>	<u><u>3,460,744</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Accounts payable and accrued expenses		23,640	54,394
Funds held in escrow		150,201	142,694
Lots to be transferred to homeowners		81,487	146,198
Annuity payable		1,847	1,796
Deferred revenue of transferred mortgages receivable		<u>598,126</u>	<u>246,713</u>
Total liabilities		<u><u>855,301</u></u>	<u><u>591,795</u></u>
<b>NET ASSETS</b>			
Without donor restrictions		<u><u>3,688,770</u></u>	<u><u>2,868,949</u></u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<u><u>4,544,071</u></u>	<u><u>3,460,744</u></u>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
REVENUES AND OTHER SUPPORT		
ReStore	401,309	392,865
Cash contributions	175,433	210,570
In-kind contributions - materials and services	74,562	75,782
In-kind contributions - ReStore	45,134	45,429
In-kind contributions - land	7,000	
Grants	458,625	172,244
Sales to homeowners	1,098,268	961,283
Fundraising	24,658	24,037
Other revenue	12,027	68,596
Mortgage loan discount amortization	289,514	217,111
Loss on sale of assets	(13,056)	
Total revenues and other support	<u>2,573,474</u>	<u>2,167,917</u>
EXPENSES		
Program services	2,160,680	1,713,043
Management and general	241,478	197,392
Fundraising	160,583	130,094
Total expenses	<u>2,562,741</u>	<u>2,040,529</u>
CHANGE IN NET ASSETS	10,733	127,388
NET ASSETS, beginning of year	<u>2,868,949</u>	<u>2,741,561</u>
Assets transferred from Seward County Habitat	<u>809,088</u>	
NET ASSETS, end of year	<u>3,688,770</u>	<u>2,868,949</u>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENT OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	Program Services				Supporting Services		Totals	
	Construction	ReStore	Mortgage		Management and General	Fundraising	2019	2018
			Discount	Total				
Payroll and benefits	131,216	130,448		261,664	115,350	120,477	497,491	393,610
Cost of homes sold	928,852			928,852			928,852	781,241
Mortgage discount			696,382	696,382			696,382	506,327
Fundraising						19,265	19,265	18,676
Tithe to HFHI	45,000			45,000			45,000	37,000
Taxes and insurance	5,614	20,827		26,441		16,793	43,234	36,301
Occupancy		97,193		97,193	7,677		104,870	98,045
Vehicle expense		7,801		7,801			7,801	7,974
Advertising		20,007		20,007		3,323	23,330	12,170
SOSI					15,000		15,000	15,000
Depreciation	3,746	16,833		20,579	16,200		36,779	25,666
Equipment		353		353	1,140		1,493	8,631
Training, travel, and meetings		3,147		3,147	13,758		16,905	5,145
Telephone		4,784		4,784	6,934		11,718	8,601
Supplies	12,023	6,901		18,924	20,893		39,817	19,227
Printing and postage					6,623		6,623	5,936
Repairs and maintenance	194	5,063		5,257	3,859		9,116	6,953
Professional services		4,439		4,439	26,361		30,800	23,116
Service charges		9,836		9,836		725	10,561	10,014
Miscellaneous expenses	4,384	5,637		10,021	7,683		17,704	20,896
<b>TOTAL EXPENSES</b>	<b><u>1,131,029</u></b>	<b><u>333,269</u></b>	<b><u>696,382</u></b>	<b><u>2,160,680</u></b>	<b><u>241,478</u></b>	<b><u>160,583</u></b>	<b><u>2,562,741</u></b>	<b><u>2,040,529</u></b>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	<u>10,733</u>	<u>127,388</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
In-kind contributions capitalized	10,600	
Loss on sale of assets	13,056	
Depreciation	36,779	25,666
Transfers to homeowners, net of discount	34,686	(183,779)
Amortization of discount	(289,514)	(217,111)
Change in value of annuity	51	1,119
(Increase) decrease in operating assets:		
Restricted cash	(7,507)	24,492
Prepaid expenses and other assets	(10,900)	(28,654)
Grants receivable	(167,849)	
Other notes receivable	(3,400)	(1,164)
Inventory - lots and homes	(16,967)	(140,995)
Inventory - ReStore	(1,186)	(4,251)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(30,754)	(486)
Funds held in escrow	7,507	(24,492)
Total adjustments	<u>(425,398)</u>	<u>(549,655)</u>
Net cash used in operating activities	<u>(414,665)</u>	<u>(422,267)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mortgage payments received	324,582	299,754
Proceeds from sold mortgages loans	377,315	
Payments on mortgage loans sold	(45,761)	(60,974)
Purchases of fixed assets	<u>(83,923)</u>	<u>(92,289)</u>
Net cash provided by investing activities	<u>572,213</u>	<u>146,491</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from HOME Program	31,435	
Annuity payments	<u>(940)</u>	<u>(940)</u>
Net cash provided by (used in) financing activities	<u>30,495</u>	<u>(940)</u>



LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENT OF CASH FLOWS  
YEAR ENDED JUNE 30, 2019  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2018

	2019	2018
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	188,043	(276,716)
CASH AND CASH EQUIVALENTS, beginning of year	<u>227,424</u>	<u>504,140</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>415,467</u></u>	<u><u>227,424</u></u>
 SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Property and equipment additions	94,523	92,289
Less: in-kind contributions capitalized	<u>(10,600)</u>	<u>          </u>
Cash paid for property and equipment	<u><u>83,923</u></u>	<u><u>92,289</u></u>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

The following is a summary of significant accounting policies of Lincoln/Lancaster County Habitat for Humanity.

Nature of Organization

Lincoln/Lancaster County Habitat for Humanity (Habitat) is a not-for-profit corporation incorporated on February 12, 1988. Habitat is an affiliate of Habitat for Humanity International, Inc., a nondenominational Christian not-for-profit organization whose purpose is to create decent, affordable housing for those in need and to make decent shelter a matter of conscience with people everywhere. Habitat's support comes primarily from donations and grants.

In the year ended June 30, 2019, Habitat moved to accept the transfer of asset from Seward County Habitat for Humanity, which is another affiliate of Habitat for Humanity International, Inc.

Basis of Accounting

The financial statements of Habitat have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables and payables.

New Accounting Pronouncement

Effective July 1, 2018, the Habitat adopted FASB Accounting Standards Update 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, (ASU 2016-14). The provisions of ASU 2016-14 are intended to simplify and improve the presentation of net assets, as well as provide information regarding liquidity, financial performance, and cash flows. The provisions of ASU 2016-14 that significantly change the Habitat's financial statements are as follows:

- Revises the net asset classification structure to two classes (net assets with donor restrictions and net assets without donor restrictions) instead of the previous three classes;
- Enhances disclosures for self-imposed limits on the use of resources both with and without donor-imposed restrictions; and
- Requires quantitative and qualitative disclosures on liquidity and the availability of resources to fund operations.

The financial statements for the year ended June 30, 2018, have been retrospectively restated for the effects of the adoption of ASU 2016-14, which resulted in temporarily and permanently restricted net assets being reported as net assets with donor restrictions, and unrestricted net assets being reported as net assets without donor restrictions. There was no change in total net assets, nor was there an effect on the change in net assets in the accompanying statement of activities for the year ended June 30, 2018.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Financial Statement Presentation

The financial statements report amounts by class of net assets, as required ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. As such, net assets, revenues, gains, and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions.

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both, and are reported in the statements of activities as net assets released from restrictions.

There were no net assets with donor restrictions as June 30, 2019 and 2018.

Contributions

Habitat utilizes FASB ASC 958-605, *Not-for-Profit Entities Revenue Recognition*. This standard requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the organization to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Contributed Materials and Services

Habitat records various types of in-kind contributions. Contributed services are recognized at fair market value 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. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or additions to inventory or property and equipment.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Contributions (Continued)

Volunteers

Many individuals volunteer their time and perform a variety of tasks that assist Habitat with its operations. The volunteer hours have not been recorded in the financial statements since those services do not meet the criteria for recognition.

Use of Estimates

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

Cash and Cash Equivalents

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

Restricted Cash

Habitat currently services the mortgages on the homes it sells. Included in restricted cash and funds held in escrow are amounts received for insurance and property taxes on such homes.

Notes Receivable

Notes receivable consists of noninterest-bearing notes which are secured by real estate. Repayment to Habitat shall occur by the homeowner at such time the resident sells the property, or discontinues use of the property as their permanent residence.

Notes receivable also consists of unsecured noninterest-bearing notes which are payable in monthly installments over the life of the note. The discount on such notes is not material to the financial statements.

Mortgage Loans Receivable

Mortgage loans receivable consists of noninterest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Noninterest-bearing mortgages have been discounted based upon prevailing market rates for

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Mortgage Loans Receivable (Continued)

low-income housing at the inception of the mortgages. Utilizing a straight-line basis, this discount will be recognized as income over the term of the mortgage. Habitat considers all mortgage receivables to be fully collectible. Therefore, no allowance for uncollectible amounts has been established.

Transferred Mortgages Receivable

Transferred mortgages receivable are accounted for in accordance with FASB ASC 860, *Accounting for Transfers and Servicing*. Under this standard, Habitat has maintained effective control over the assets transferred; accordingly, the transfer is accounted for as a secured borrowing. Related liabilities are included in deferred revenue on the statement of financial position. The proceeds from the borrowings were used to pay start up costs of their ReStore location, and to help build up cash reserves for future operations.

Inventory - Lots

Habitat's policy is to account for the purchase of lots at cost.

Inventory - Homes Under Construction

Costs incurred in conjunction with home constructions are capitalized until sold.

Inventory - ReStore

Inventory - ReStore consists of donated building supplies, appliances, furniture, and other home improvement items. Donated inventory is valued at its estimated fair value based on its expected selling price. Inventory - ReStore was \$18,835 and \$17,649 for the years ended June 30, 2019 and 2018, respectively.

Property and Equipment

Property and equipment are stated at cost, if purchased, or fair value, if donated. Major expenditures for property and those which substantially increase useful lives are capitalized. Maintenance, repairs, and minor renewals are expensed as incurred. When assets are retired or otherwise disposed of, their costs and related accumulated depreciation are removed from the accounts and resulting gains or losses are included in income.

Depreciation

Habitat provides for depreciation of property and equipment using annual rates which are sufficient to amortize the cost of depreciable assets using the straight-line method over their estimated useful lives, which range from 3 to 39 years.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Income Taxes

Habitat is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Habitat's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Habitat qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(2).

Habitat utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. Habitat continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. Habitat believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that would be material to the financial statements.

Transfers to Homeowners

Transfers to homeowners are recorded at the gross mortgage amount.

Compensated Absences

Full-time, year-round employees are entitled to paid vacation depending on the length of service and other factors. Accrued vacation pay was deemed immaterial and not accrued.

Advertising

Advertising costs are expensed as incurred. Advertising expense was \$23,330 and \$12,170 for the years ended June 30, 2019 and 2018, respectively.

Expense Allocation

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

Program Services

Program services include construction, the discount on mortgage originations, support of families, education of the general public, and the cost of homes sold to homeowners.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by functional expense class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with Habitat's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

NOTE 2. DEPOSITS

Habitat maintains deposits in various financial institutions in accounts insured up by the Federal Deposit Insurance Corporation to the \$250,000 limit. At June 30, 2019 and 2018, all amounts of deposits were fully covered.

Habitat maintains a short-term federal investment trust in the amount of \$286,709 and \$210,724 as of June 30, 2019 and 2018, respectively, at one financial institution located in Nebraska. The account is guaranteed by student loans and U.S. government and agency securities that Habitat has a beneficial interest in.

NOTE 3. MORTGAGE LOANS RECEIVABLE

Habitat sells homes to low-income families in exchange for mortgage loans with no interest. These loans are payable to Habitat and are presented in the statements of financial position discounted at various rates, as dictated by Habitat for Humanity International. The gross balance and discount on mortgage loans as of June 30, 2019 and 2018, are as follows:

	2019	2018
Mortgage loans	5,644,673	4,754,145
Mortgage discount	<u>(3,035,052)</u>	<u>(2,886,336)</u>
	<u>2,609,621</u>	<u>1,867,809</u>

NOTE 4. TRANSFERRED MORTGAGES RECEIVABLE

During fiscal year 2014, Habitat sold mortgages with an outstanding balance of \$247,145 with full recourse to a financial institution. During the fiscal year 2018, Habitat sold mortgages with an outstanding balance of \$398,464 with full recourse to a financial institution. Habitat continues to service and guarantee the mortgage loans and retains the right

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 4. TRANSFERRED MORTGAGES RECEIVABLE (Continued)

to substitute similar mortgage loans in case of default by the homeowners. These are included in the mortgage loans receivable, net of discount balance, on the statements of financial position. At June 30, 2019 and 2018, the outstanding balance of loans sold was as follows:

	2019	2018
Face value	339,562	201,243
Less: unamortized discount	<u>(333,897)</u>	<u>(95,604)</u>
Net present value	<u>5,665</u>	<u>105,639</u>

NOTE 5. INVENTORY - LOTS AND HOMES

Inventory consists of the following at June 30:

	2019	2018
Lots	199,348	245,624
Homes under construction	<u>306,955</u>	<u>253,339</u>
	<u>506,303</u>	<u>498,963</u>

NOTE 6. PROPERTY AND EQUIPMENT

The changes in fixed assets designated for the operation of Habitat are as follows:

	Balance July 1, 2018	Addi- tions	Dele- tions	Balance June 30, 2019
Land	98,447			98,447
Buildings and improvements	259,387			259,387
Leasehold improvements	34,734			34,734
Construction equipment	29,288	52,301		81,589
Vehicles	69,555	7,367	(2,680)	74,242
ReStore equipment	18,671	3,625		22,296
Furniture and equipment	<u>45,003</u>	<u>31,430</u>		<u>76,433</u>
	555,085	94,723	(2,680)	647,128
Less accumulated depreciation	<u>(73,412)</u>	<u>(36,779)</u>		<u>(110,191)</u>
	<u>481,673</u>	<u>57,944</u>	<u>(2,680)</u>	<u>536,937</u>



LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. PROPERTY AND EQUIPMENT (Continued)

	Balance July 1, 2017	Addi- tions	Dele- tions	Balance June 30, 2018
Land	93,728	4,719		98,447
Buildings and improvements	254,420	4,967		259,387
Leasehold improvements	19,902	14,832		34,734
Construction equipment	26,262	3,026		29,288
Vehicles	9,924	59,631		69,555
ReStore equipment	15,953	2,718		18,671
Furniture and equipment	42,607	2,396		45,003
	<u>462,796</u>	<u>92,289</u>		<u>555,085</u>
Less accumulated depreciation	<u>(47,746)</u>	<u>(25,666)</u>		<u>(73,412)</u>
	<u>415,050</u>	<u>66,623</u>		<u>481,673</u>

Depreciation expense for the years ended June 30, 2019 and 2018, was \$36,779 and \$25,666, respectively.

NOTE 7. LINE OF CREDIT

Habitat has a demand line of credit agreement (the Agreement) with a bank for borrowings not to exceed \$100,000 in the aggregate. The outstanding balance under the Agreement was \$- 0 - at June 30, 2019 and 2018. Interest is payable monthly at an annual rate equal to 1.00% plus the prime rate announced by the bank. Interest expense incurred under the Agreement was \$- 0 - for the years ended June 30, 2019 and 2018, respectively.

NOTE 8. LOTS TO BE TRANSFERRED TO HOMEOWNERS

Habitat receives funds from the City of Lincoln's Housing Development Loan Program (HOME) to purchase lots for the purpose of constructing homes for low-income families.

Under the HOME Program, Habitat agrees to begin construction of single-family homes within one year from the date Habitat takes title to each lot, and complete construction within one year from the start of construction. Each home must then be transferred to a low-income family, at which time the obligation to repay the loan to the City for the lot purchase is also transferred to the homeowner. Repayment to the City shall occur by homeowners at such time they sell the property or discontinue use of the property as their permanent residence.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 8. LOTS TO BE TRANSFERRED TO HOMEOWNERS (Continued)

At June 30, 2019 and 2018, Habitat held lots purchased with HOME funds with a total value of \$81,487 and \$146,198, respectively.

NOTE 9. ANNUITY PAYABLE

Habitat received \$10,000 cash under a charitable gift annuity arrangement and makes quarterly payments of \$235 to the donor for the remainder of her life. Life expectancy has been determined using actuarial tables. The annuity payable of \$1,847 and \$1,796 at June 30, 2019 and 2018, respectively, represents the present value of estimated future payments to the donor.

NOTE 10. OPERATING LEASES

Habitat has noncancellable operating leases for office equipment that expires on August 30, 2020, October 31, 2021, March 31, 2022, and July 22, 2019. The leases require Habitat to pay some executory costs such as insurance and property taxes. Rental expense for the leases totaled \$6,503 and \$6,536 for the years ended June 30, 2019 and 2018, respectively.

On April 7, 2014, Habitat entered into a noncancellable operating lease for its ReStore building. The base term of the lease is five years, expiring September 19, 2019, with an option to renew for three consecutive 3-year terms. This was renewed through September 15, 2022. The lease requires Habitat to pay assessed property taxes and insurance coverage on the buildings. Rent expense for the lease totaled \$80,860 and \$75,732 for the years ended June 30, 2019 and 2018, respectively.

A schedule of the future minimum lease payments required under the above are as follows:

Year Ending June 30,	
2020	86,381
2021	88,430
2022	89,470
2023	14,904
	279,185

NOTE 11. PAYMENTS TO INTERNATIONAL AFFILIATE

Habitat annually remits a portion of its cash contributions to Habitat for Humanity International, Inc. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2019 and 2018, Habitat contributed \$45,000 and \$37,000, respectively. These amounts are included in program services expense in the statements of activities.

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NOTE 12. RETIREMENT PLAN

Habitat maintains a SIMPLE IRA plan for all eligible employees, whereby employees elect to make voluntary contributions pursuant to a salary reduction agreement. It is available to all employees who have met the service requirements. Habitat contributes to each eligible employee's SIMPLE IRA equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the year. Habitat's expense totaled \$11,327 and \$6,951 for the years ended June 30, 2019 and 2018, respectively.

NOTE 13. NET ASSETS

Net assets without donor restrictions at June 30, 2019 and 2018, consist of:

	2019	2018
Undesignated	<u>3,688,770</u>	<u>2,868,949</u>

NOTE 14. LIQUIDITY AND AVAILABILITY

The Habitat's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date are as follows:

Cash	415,467
Grants receivable	<u>167,849</u>
	<u>583,316</u>

Habitat has a demand line of credit with a bank for borrowings not to exceed \$100,000 in the aggregate available to meet cash needs.

As part of the Habitat'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. In addition, the Habitat invests cash in excess of daily requirements in short-term federal investment trusts. Although the Habitat does not intend to spend from its investments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts could be made available, if necessary.

NOTE 15. SUBSEQUENT EVENTS

In preparing the financial statements, Habitat has evaluated events and transactions for potential recognition or disclosure through October 8, 2019, the date the financial statements were available to be issued.