

***Lincoln/Lancaster County Habitat for Humanity  
Lincoln, Nebraska***

***June 30, 2021 and 2020***

***Financial Statements  
and  
Independent Auditor's Report***



CPAs & Consultants | Wealth Management

Lincoln/Lancaster County Habitat for Humanity

Years ended June 30, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

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The Board of Directors  
Lincoln/Lancaster County Habitat for Humanity  
Lincoln, NE

We have audited the accompanying financial statements of Lincoln/Lancaster County Habitat for Humanity, which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note P to the financial statements, the 2020 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

*HBE LLP*

Lincoln, Nebraska  
December 2, 2021

HBE  
HBE

Lincoln/Lancaster County Habitat for Humanity

STATEMENTS OF FINANCIAL POSITION

June 30,

ASSETS

	<u>2021</u>	<u>2020</u> (as restated)
<b>ASSETS</b>		
Cash and cash equivalents (note A)	\$ 1,011,954	\$ 638,522
Restricted cash, escrow (note A)	8,000	164,382
Prepaid expenses and other assets	16,434	13,827
Grants receivable (note A)	26,910	80,422
Notes receivable (note A)	79,200	86,023
Mortgage loans receivable, net of discount (notes A and B)	2,075,819	2,079,384
Inventory, lots and homes (notes A and C)	945,152	684,850
Inventory, ReStore (notes A and C)	111,166	122,980
Property and equipment, net (notes A and D)	447,304	495,970
Other assets	10,345	-
	<u>\$ 4,732,284</u>	<u>\$ 4,366,360</u>
Total assets		

LIABILITIES AND NET ASSETS

<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 45,463	\$ 56,510
Funds held in escrow	153,316	156,523
Notes payable (note F)	540,022	246,453
Lots to be transferred to homeowners (note G)	265,363	224,443
Annuity payable (note H)	-	907
Deferred grant revenue	52,881	-
Transferred mortgages payable (note B)	-	4,533
	<u>1,057,045</u>	<u>689,369</u>
Total liabilities		
<b>NET ASSETS (note A)</b>		
Without donor restrictions	3,648,535	3,612,328
With donor restrictions (note I)	26,704	64,663
	<u>3,675,239</u>	<u>3,676,991</u>
Total net assets		
Total liabilities and net assets	<u>\$ 4,732,284</u>	<u>\$ 4,366,360</u>

See accompanying notes to the financial statements.

Lincoln/Lancaster County Habitat for Humanity

STATEMENTS OF ACTIVITIES

Years ended June 30,

	2021			2020 (as restated)		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
	<b>REVENUE AND SUPPORT</b>					
ReStore						
Sale of purchased and donated merchandise	\$ 428,283	\$ -	\$ 428,283	\$ 385,049	\$ -	\$ 385,049
Donated merchandise	388,578	-	388,578	348,448	-	348,448
Cost of purchased and donated merchandise sold	(424,125)	-	(424,125)	(362,756)	-	(362,756)
	392,736	-	392,736	370,741	-	370,741
Cash contributions	178,307	-	178,307	277,703	-	277,703
In-kind contributions - materials and services	15,847	-	15,847	169,226	-	169,226
Grants	288,340	26,704	315,044	359,783	64,663	424,446
Sales to homeowners	427,629	-	427,629	445,137	-	445,137
Fundraising	7,200	-	7,200	67,211	-	67,211
Other program revenue	108,377	-	108,377	24,094	-	24,094
Mortgage loan discount amortization	361,338	-	361,338	196,581	-	196,581
Miscellaneous revenue	28,406	-	28,406	3,758	-	3,758
Interest income	257	-	257	2,459	-	2,459
Net assets released from restrictions	64,663	(64,663)	-	-	-	-
<b>Total revenue and support</b>	<b>1,873,100</b>	<b>(37,959)</b>	<b>1,835,141</b>	<b>1,916,693</b>	<b>64,663</b>	<b>1,981,356</b>
<b>EXPENSES</b>						
Program services	1,506,546	-	1,506,546	1,565,389	-	1,565,389
Management and general	203,005	-	203,005	213,975	-	213,975
Fundraising and development	127,342	-	127,342	192,759	-	192,759
<b>Total expenses</b>	<b>1,836,893</b>	<b>-</b>	<b>1,836,893</b>	<b>1,972,123</b>	<b>-</b>	<b>1,972,123</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>36,207</b>	<b>(37,959)</b>	<b>(1,752)</b>	<b>(55,430)</b>	<b>64,663</b>	<b>9,233</b>
Net assets, beginning of year	3,612,328	64,663	3,676,991	3,560,377	-	3,560,377
Prior period adjustment (note O)	-	-	-	107,381	-	107,381
<b>Net assets, end of year</b>	<b>\$ 3,648,535</b>	<b>\$ 26,704</b>	<b>\$ 3,675,239</b>	<b>\$ 3,612,328</b>	<b>\$ 64,663</b>	<b>\$ 3,676,991</b>

See accompanying notes to the financial statements.

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Lincoln/Lancaster County Habitat for Humanity

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2021

	Program Services			Supporting Activities			Total
	Homeowner Services	ReStore	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Payroll and benefits	\$ 202,443	\$ 213,594	\$ 416,037	\$ 129,970	\$ 101,239	\$ 231,209	\$ 647,246
Cost of homes sold	481,395	-	481,395	-	-	-	481,395
Mortgage discount	249,821	-	249,821	-	-	-	249,821
Fundraising	-	-	-	-	658	658	658
Tithe to HFHI	34,000	1,000	35,000	-	-	-	35,000
Taxes and insurance	15,605	16,158	31,763	1,941	1,503	3,444	35,207
Occupancy	11,435	112,636	124,071	7,566	2,536	10,102	134,173
Vehicle expense	4,717	8,257	12,974	-	-	-	12,974
Advertising	10,175	30,872	41,047	7,010	5,517	12,527	53,574
SOSI	-	-	-	15,000	-	15,000	15,000
Depreciation	13,825	13,792	27,617	21,049	-	21,049	48,666
Training, travel, and meetings	38	-	38	641	678	1,319	1,357
Telephone	4,240	5,003	9,243	2,045	1,582	3,627	12,870
Supplies	6,145	5,430	11,575	4,233	3,278	7,511	19,086
Printing and postage	580	49	629	398	309	707	1,336
Repairs and maintenance	1,218	1,111	2,329	839	649	1,488	3,817
Professional services	22,861	6,101	28,962	3,753	2,766	6,519	35,481
Service charges	434	17,639	18,073	299	231	530	18,603
Dues and subscriptions	7,898	2,776	10,674	5,299	4,102	9,401	20,075
Interest expense	2,508	156	2,664	1,728	1,338	3,066	5,730
Miscellaneous expenses	2,086	548	2,634	1,234	956	2,190	4,824
<b>Total expenses</b>	<b>\$ 1,071,424</b>	<b>\$ 435,122</b>	<b>\$ 1,506,546</b>	<b>\$ 203,005</b>	<b>\$ 127,342</b>	<b>\$ 330,347</b>	<b>\$ 1,836,893</b>

See accompanying notes to the financial statements.



Lincoln/Lancaster County Habitat for Humanity

STATEMENTS OF FUNCTIONAL EXPENSES

Year ended June 30, 2020

	Program Services			Supporting Activities			Total
	Homeowner Services	ReStore	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	
Payroll and benefits	\$ 243,495	\$ 228,862	\$ 472,357	\$ 114,054	\$ 103,973	\$ 218,027	\$ 690,384
Cost of homes sold	555,377	-	555,377	-	-	-	555,377
Mortgage discount	256,732	-	256,732	-	-	-	256,732
Fundraising	-	17	17	-	33,217	33,217	33,234
Tithe to HFHI	30,000	-	30,000	500	-	500	30,500
Taxes and insurance	4,457	13,474	17,931	14,875	-	14,875	32,806
Occupancy	10,307	107,482	117,789	8,394	1,385	9,779	127,568
Vehicle expense	7,867	6,611	14,478	-	-	-	14,478
Advertising	2,439	19,429	21,868	4,141	48,515	52,656	74,524
SOSI	-	-	-	15,000	-	15,000	15,000
Depreciation	3,898	16,801	20,699	21,897	-	21,897	42,596
Training, travel, and meetings	1,524	2,699	4,223	1,603	601	2,204	6,427
Telephone	1,811	4,014	5,825	6,055	-	6,055	11,880
Supplies	5,296	5,657	10,953	7,118	46	7,164	18,117
Printing and postage	39	-	39	2,238	645	2,883	2,922
Repairs and maintenance	-	1,916	1,916	2,213	-	2,213	4,129
Professional services	5,957	109	6,066	6,853	-	6,853	12,919
Service charges	-	11,242	11,242	1,013	26	1,039	12,281
Dues and subscriptions	5,897	3,800	9,697	3,343	4,313	7,656	17,353
Interest expense	-	-	-	2,244	-	2,244	2,244
Miscellaneous expenses	7,237	943	8,180	2,434	38	2,472	10,652
<b>Total expenses</b>	<b>\$ 1,142,333</b>	<b>\$ 423,056</b>	<b>\$ 1,565,389</b>	<b>\$ 213,975</b>	<b>\$ 192,759</b>	<b>\$ 406,734</b>	<b>\$ 1,972,123</b>

See accompanying notes to the financial statements.

Lincoln/Lancaster County Habitat for Humanity

STATEMENTS OF CASH FLOWS

Years ended June 30,

	<u>2021</u>	<u>2020</u> (as restated)
Cash flows from operating activities		
Increase (decrease) in net assets	\$ (1,752)	\$ 9,233
Adjustments to reconcile increase (decrease) in net assets		
Depreciation	48,666	42,596
Transfers of mortgages and lots to homeowners, net of discount	(223,640)	(254,056)
Mortgage loan discount amortization	(361,338)	(196,581)
(Increase) decrease in assets		
Prepaid expenses and other assets	(2,607)	18,805
Grants receivable	53,512	(20,104)
Notes receivable	6,823	(7,113)
Inventory, lots and homes	(260,302)	(217,003)
Inventory, ReStore	11,814	3,236
Other assets	(10,345)	-
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(11,047)	32,870
Funds held in escrow	(3,207)	9,697
Deferred grant revenue	52,881	-
Total adjustments	<u>(698,790)</u>	<u>(587,653)</u>
Net cash used by operating activities	<u>(700,542)</u>	<u>(578,420)</u>
Cash flows from investing activities		
Mortgage payments received	537,082	379,026
Payments on mortgage loans sold	(4,533)	945
Purchase of property and equipment	<u>-</u>	<u>(1,629)</u>
Net cash provided by investing activities	<u>532,549</u>	<u>378,342</u>
Cash flows from financing activities		
Proceeds from HOME Program for lots	92,381	191,800
Proceeds from notes payable	300,000	248,169
Payments on notes payable	(6,431)	(1,716)
Annuity payments	<u>(907)</u>	<u>(940)</u>
Net cash provided by financing activities	<u>385,043</u>	<u>437,313</u>
Net increase in undesignated and restricted cash and cash equivalents	217,050	237,235
Undesignated and restricted cash and cash equivalents, beginning of year	<u>802,904</u>	<u>565,669</u>
Undesignated and restricted cash and cash equivalents, end of year	<u>\$ 1,019,954</u>	<u>\$ 802,904</u>
Undesignated and restricted cash and cash equivalents are reported within the statements of financial position as follows:		
Cash and cash equivalents, undesignated	\$ 1,011,954	\$ 638,522
Cash and cash equivalents, restricted	<u>8,000</u>	<u>164,382</u>
	<u>\$ 1,019,954</u>	<u>\$ 802,904</u>

See accompanying notes to the financial statements.

## Lincoln/Lancaster County Habitat for Humanity

### NOTES TO THE FINANCIAL STATEMENTS

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 Restore is a home improvement and donation center that sells donated or purchased building materials, appliances, furniture and home accessories. 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.

#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

**Method of Accounting.** The accompanying financial statements of Habitat have been prepared on the accrual basis of accounting.

**Cash and Cash Equivalents.** For purposes of the statements of cash flows, Habitat considers all highly liquid investments with a 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.

**Grants Receivable.** Grants receivable are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of grantors having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

**Notes Receivable.** Notes receivable are reported at the amount management expects to collect from outstanding balances at year-end. Based on management's assessment of the credit history with customers having outstanding balances and current relationships with them, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

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 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.

From time to time, Habitat will sell mortgages to financial institutions. If the loan is sold, the unamortized balance of the loan discount upon sale of the loan is included in mortgage loan discount amortization on the consolidating financial statements and the mortgages are derecognize from the mortgage loans receivable balance.

NOTES TO THE FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Contract Balances.** Contract assets represent Habitat's right to consideration in exchange for goods or services that have been transferred to the customer before payment is due. Contract liabilities include consideration due or paid by a customer prior to when Habitat transfers goods or services and represents Habitat's obligation to the customers. Contract assets are included in the statement of financial position as notes receivable and mortgage loan receivable. Contract liabilities are included in the statement of financial position as funds held in escrow, lots to be transferred to homeowners and transferred mortgage payable.

**Inventories.** Inventory includes land and building materials used in construction of houses to be sold. Inventory is valued at the lower of cost or net realizable value. Cost is determined by the first-in, first-out (FIFO) method.

ReStore inventory consists of purchased and donated building materials and household items. Purchased inventory items are valued at the lesser of cost or net realizable value. Donated items are stated at their estimated net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonable predictable costs of completion, disposal and transportation. Cost is determined by the first-in, first-out (FIFO) method.

**Property and Equipment and Depreciation.** Property and equipment are carried at cost, if purchased, and at fair market value at the date of contribution, if received by donation, less accumulated depreciation. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives computed primarily on the straight-line method. Property and equipment is depreciated over estimated useful lives from 3 to 39 years. It is Habitat's policy to capitalize property and equipment over \$500. Lesser amounts are expensed.

**Accrued Vacation.** Full-time, year-round employees are entitled to paid vacation depending on the length of service and other factors. Accrued vacation for the year ended June 30, 2021 and 2020 was \$12,759. Habitat's policy is to pay this liability upon termination of employment.

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

**Without donor restrictions.** Net assets available for use in general operations and not subject to donor or grantor restrictions.

**With donor restrictions.** Net assets subject to donor- or grantor-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. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. 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.

Contributions restricted by donors received in the same period when the associated stipulated time or purpose restriction is accomplished are reported as increases in net assets without donor restrictions. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Revenue Recognition.** The following is a description of Habitat's principal sources of revenue:

**ReStore Sales.** ReStore is a home improvement and donation center that sells donated or purchased building materials, appliances, furniture and home accessories. Revenue is recognized at the point of sale.

**Contributions.** Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. Habitat has not received any conditional contributions.

**Government and Other Grants.** Habitat is the recipient of federal, state, and local grants to fund its primary programs. Grants are recorded as revenue when the related approved expenditures are made. Unearned grant revenue represents advances of grant funds received prior to the incurrence of related costs by Habitat. At June 30, 2021 and 2020, conditional reimbursement-basis grants of \$70,033 and \$88,187 were awarded to Habitat, for which Habitat has not yet incurred related expenditures.

**Sales to Homeowners.** Home sales are recognized as revenue at a point in time upon the closing of the sale.

**Fundraising Events.** Habitat holds fundraising events to raise money to support program services. Revenue that is received in exchange for a benefit is recognized at the at the fair value of the benefit received at a point in time when the event takes place. Payments received in excess of the amount received in exchange for a benefit is recognized as contribution revenue.

**Mortgage Loan Discount Amortization.** Habitat discounts mortgage receivable to more fairly reflect the value of the zero interest mortgages on the statement of financial position. The discount is the difference between the face value of the mortgage and the current value of the mortgage, calculated using the term of the mortgage and the appropriate rate. The discount expense is recorded in the first year of the mortgage and is recaptured as revenue over the life of the mortgage.

**Silent Recapture.** Habitat includes a second promissory note with the sale of a home when the fair market value of the home exceeds 30% of the buying household's gross income. This note is not included as an asset or income when it originates since it is forgivable by written terms of the note and mortgage creating significant uncertainty regarding collectability. Events triggering the borrower's obligation to pay include abandonment, conveyance, or default in payment of the first loan if the default continues after Habitat gives the borrower notice of default and the time within which it must be cured. Silent recapture income is recognized at a point in time when a related home is sold or refinanced by the homeowner and is included in the statement of activities under other program revenue.

**Repairs Income.** Habitat provides repair services to low income households and finances all or part of the price of the repair. Revenue for repairs is recognized at a point in time when the repair is completed and is included in the statement of activities under other program revenue.

Lincoln/Lancaster County Habitat for Humanity

NOTES TO THE FINANCIAL STATEMENTS

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Donated Materials and Services.** Donated materials are recorded as contributions at their estimated fair value at the date of donation, which is determined by the resale value of the goods that are donated to the ReStore store. Donated services are recognized as contributions if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would have otherwise been purchased by Habitat. Many individuals also provide 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.

**Advertising.** Advertising costs of Habitat are expensed as incurred. Advertising expense was \$53,574 and \$74,524 for the years ended June 30, 2021, and 2020, 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, payroll and benefits have been allocated on the basis of each job function and an estimate of time and effort.

**Income Taxes.** Habitat is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. As such, income earned in the performance of its exempt purpose is not subject to income tax. Any income earned through unrelated business activities is subject to income tax at normal corporate rates. Habitat believes that it has appropriate support for any tax positions taken, and as such, does not have any uncertain tax positions that are material to the financial statements.

Habitat's federal Exempt Organization Business Income Tax Returns (Form 990) for June 30, 2021, 2020, and 2019 are subject to examination by the IRS, generally for three years after they were filed.

**Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE B - MORTGAGE LOANS RECEIVABLE**

Mortgage home receivables are payable to Habitat and are shown on the statements of financial position discounted from their stated rates to various rates ranging from 7.23% to 8.53% at the inception of the mortgages, as dictated by Habitat International. Habitat feels no provision for loan losses is required because the fair market value of the homes is typically in excess of the related mortgage loan balance.

Mortgage loans receivable consists of:

	<u>2021</u>	<u>2020</u>
Mortgage loans receivable	\$ 5,238,869	\$ 5,353,951
Mortgage loans discount	<u>(3,163,050)</u>	<u>(3,274,567)</u>
	<u>\$ 2,075,819</u>	<u>\$ 2,079,384</u>

Lincoln/Lancaster County Habitat for Humanity

NOTES TO THE FINANCIAL STATEMENTS

**NOTE B - MORTGAGE LOANS RECEIVABLE - CONTINUED**

In prior years, Habitat has sold mortgages with outstanding balances to third-party financial institutions. Habitat retains full recourse on these mortgages and continues to service and guarantee the mortgages. Habitat retains the right to substitute similar mortgages in case of default by the homeowners to pay the mortgage. At June 30, 2021 and 2020 the amount of loans subject to Habitat's guarantee still outstanding was approximately \$485,979 and \$555,067, respectively.

**NOTE C - INVENTORY**

Inventory consists of:

	<u>2021</u>	<u>2020</u> (as restated)
Lots	\$ 263,163	\$ 253,064
Homes under construction	380,899	430,920
Repairs in progress	-	866
Homes purchased for recycle/remodel	301,090	-
ReStore inventory	<u>111,166</u>	<u>122,980</u>
	<u>\$ 1,056,318</u>	<u>\$ 807,830</u>

**NOTE D - PROPERTY AND EQUIPMENT**

Property and equipment consist of:

Land	\$ 98,447	\$ 98,447
Buildings and improvements	259,387	259,387
Leasehold improvements	34,734	34,734
Construction equipment	81,589	81,589
Vehicles	74,242	74,242
ReStore equipment	23,149	23,149
Furniture and equipment	<u>77,210</u>	<u>77,210</u>
	648,758	648,758
Less accumulated depreciation	<u>(201,454)</u>	<u>(152,788)</u>
	<u>\$ 447,304</u>	<u>\$ 495,970</u>

The financial statements include depreciation expense of \$48,666 and \$42,596 for the years ended June 30, 2021 and 2020, respectively.

**NOTE E - LINE OF CREDIT**

Habitat has a \$140,000 demand line of credit, none of which was drawn down as of June 30, 2021 and 2020. The interest rate is 0.5% plus the prime rate, which was 3.25% at June 30, 2021 and 2020.



Lincoln/Lancaster County Habitat for Humanity

NOTES TO THE FINANCIAL STATEMENTS

**NOTE F - NOTES PAYABLE**

Notes payable consists of:

	<u>2021</u>	<u>2020</u>
a) Note payable, bank	\$ 240,022	\$ 246,453
b) Note payable, Habitat for Humanity International	<u>300,000</u>	<u>-</u>
	540,022	246,453
Less current maturities	<u>(37,151)</u>	<u>(6,445)</u>
	<u>\$ 502,871</u>	<u>\$ 240,008</u>

- a) Note payable, bank, dated March 31, 2020. Original amount, \$248,169, payable in monthly installments of \$1,000 including interest at 2.25% per annum. The final payment is due March 31, 2030. The note is secured by commercial security agreement dated March 31, 2020.
- b) Note payable, Habitat for Humanity International dated June 21, 2021. Original amount, \$300,000, payable in quarterly installments of \$10,345 including interest at 3.75% per annum. The final payment is due December 31, 2029. The note is secured by mortgages receivable.

Aggregate maturities on long-term obligations for the years following June 30, 2021 are as follows:

<u>Years ending June 30,</u>	
2022	\$ 37,151
2023	38,466
2024	39,813
2025	41,238
2026	42,701
Thereafter	<u>340,653</u>
	<u>\$ 540,022</u>

**NOTE G - LOTS TO BE TRANSFERRED TO HOMEOWNERS**

Habitat receives funds from the City of Lincoln 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 purchased 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.

At June 30, 2021 and 2020, Habitat held lots purchased with HOME funds with a total value of \$265,363 and \$224,443, respectively.



Lincoln/Lancaster County Habitat for Humanity

NOTES TO THE FINANCIAL STATEMENTS

**NOTE H - 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 \$- and \$907 at June 30, 2021 and 2020, respectively, represents the present value of the estimated future payments to the donor.

**NOTE I - NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions are restricted for the following purpose or periods:

	<u>2021</u>	<u>2020</u>
Subject to purpose and time restrictions		
Software program	\$ 15,000	\$ -
New construction and repairs	<u>7,500</u>	<u>-</u>
	22,500	-
Subject to time restrictions	<u>4,204</u>	<u>64,663</u>
	<u>\$ 26,704</u>	<u>\$ 64,663</u>

**NOTE J - LIQUIDITY AND AVAILABILITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 1,011,954	\$ 638,522
Grants receivable	26,910	80,422
Less restricted grants	<u>(26,704)</u>	<u>(64,663)</u>
	<u>\$ 1,012,160</u>	<u>\$ 654,281</u>

Habitat has a demand line of credit with the bank for borrowing not to exceed \$140,000 in the aggregate available to meet cash needs.

As part of 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, Habitat invests cash in excess of daily requirements in short-term federal investment trusts. Although 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.

Lincoln/Lancaster County Habitat for Humanity

NOTES TO THE FINANCIAL STATEMENTS

**NOTE K - OPERATING LEASES**

On April 11, 2017, Habitat entered into a 60-month operating lease for a copier. Under the terms of the lease, monthly rent payments are \$160.

On April 7, 2014, Habitat entered into a 36-month operating lease for the ReStore location. On May 30, 2019, Habitat extended the lease for an additional 36-months. Under the terms of the lease, monthly rent payments are \$7,024 per month from September 15, 2019 to September 14, 2020, \$7,235 per month from September 15, 2020 to September 14, 2021 and \$7,452 per month from September 15, 2021 to September 15, 2022.

On February 19, 2020, Habitat entered into a 36-month operating lease for telephones. Under the terms of the lease, monthly rent payments are \$299.

On October 27, 2020, Habitat entered into a 60-month operating lease for a copier. Under the terms of the lease, monthly rent payments are \$326.

On July 6, 2021, Habitat entered into a 126-month operating lease for a new ReStore location. Under the terms of the lease, monthly rent payments start at \$17,895 and increase periodically until the end the of the lease.

The financial statements include rent expense of \$91,771 and \$87,901 for the years ended June 30, 2021 and 2020, respectively.

Future minimum lease payments are as follows:

<u>Years ending June 30,</u>	
2022	\$ 205,461
2023	243,100
2024	218,652
2025	229,178
2026	233,932
Thereafter	<u>1,392,622</u>
	<u>\$ 2,522,945</u>

**NOTE L - RETIREMENT**

Habitat maintained a SIMPLE IRA plan for all eligible employees who have met the service requirements. On January 1, 2020, Habitat converted the SIMPLE IRA plan to a 401(k) plan covering eligible employees. The plan provides for matching contributions in an amount equal to 3% of the eligible employee's contribution under both plans. Habitat contributed \$14,748 and \$7,279 for the years ended June 30, 2021 and 2020, respectively.

Lincoln/Lancaster County Habitat for Humanity

NOTES TO THE FINANCIAL STATEMENTS

**NOTE M - 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, 2021 and 2020, Habitat contributed \$35,000 and \$30,500, respectively.

**NOTE N - CONCENTRATIONS OF CREDIT RISK**

Financial instruments which potentially subject Habitat to concentrations of credit risk consist principally of checking accounts and STIFIT accounts at financial institutions. Accounts at each institution are insured by the FDIC up to \$250,000. At June 30, 2021 and 2020, the bank accounts exceeded federally insured limits by \$636,735 and \$452,646, respectively. Habitat has not experienced any losses on such accounts.

**NOTE O - RECLASSIFICATIONS**

Certain amounts in the year ended June 30, 2020 financial statements have been reclassified to conform with current year presentation. These reclassifications had no effect on the 2020 net assets, however, see note P for the prior period adjustments.

**NOTE P - PRIOR PERIOD ADJUSTMENTS**

The June 30, 2020 financial statements have been restated to record contributed inventory for ReStore and adjust in-kind donations for home construction costs.

Assets have been increased as of June 30, 2020 as follows:

Inventory, lots and homes	\$ 13,043
Inventory, ReStore	<u>107,381</u>
	<u>\$ 120,424</u>

Net assets have been increased as of June 30, 2020 as follows:

Without donor restrictions	<u>\$ 107,381</u>
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The June 30, 2020 change in net assets increased as follows:

In-kind contributions - materials and services	<u>\$ 13,043</u>
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**NOTE Q - SUBSEQUENT EVENTS**

Subsequent events have been evaluated through the audit report date, the date the financial statements were available to be issued.

On August 25, 2021, Habitat received notice from the Small Business Administration that the second Paycheck Protection Program loan received during the year end June 30, 2021 for \$103,660 had been forgiven in full. Habitat recognized the entire portion of the loan as income and is included in the statement of activities under grants.