Lincoln/Lancaster County Habitat for Humanity, Inc.

Financial Statements and Independent Auditors' Report

June 30, 2024 and 2023

Lincoln/Lancaster County Habitat for Humanity, Inc.

Index

	Page
Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8-9
Notes to Financial Statements	10-22

MIND WHAT MATTERS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Lincoln/Lancaster County Habitat for Humanity, Inc.
Lincoln, Nebraska

Opinion
We have audited the financial statements of Lincoln/Lancaster County Habitat for Humanity, Inc. (the Organization), which comprise the statements of financial position as of June 30, 2024 and 2023, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

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

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of 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.

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Lutz & Company, P.C.

November 18, 2024

Lincoln/Lancaster County Habitat for Humanity, Inc.

Statements of Financial Position

June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and Cash Equivalents, Undesignated	$ 1,103,421	$ 693,021
Restricted Cash, Escrow	101,989	124,214
Prepaid Expenses and Other Assets	39,558	28,228
Receivables		
Trade Accounts Receivable	2,727	146,555
Grants Receivable	77,135	-
Notes Receivable	129,284	112,859
Mortgage Loans Receivable, Net of Discount	1,586,959	1,709,057
Inventory, Lots and Homes	584,658	812,683
Inventory, ReStore	196,287	227,474
Property and Equipment, Net	510,567	567,658
Loan Reserves and Security Deposits	10,345	10,345
Operating Lease Right-of-Use Assets	3,512,289	3,656,307
TOTAL ASSETS	**$ 7,855,219**	**$ 8,088,401**
LIABILITIES		
Accounts Payable and Accrued Expenses	$ 53,384	$ 70,144
Funds Held in Escrow	132,282	132,149
Notes Payable	426,208	464,963
Lots to be Transferred to Homeowners	80,235	147,755
Operating Lease Liabilities	3,721,591	3,815,694
Total Liabilities	4,413,700	4,630,705
NET ASSETS		
Without Donor Restrictions	2,842,800	3,457,696
With Donor Restrictions	598,719	-
Total Net Assets	3,441,519	3,457,696
TOTAL LIABILITIES AND NET ASSETS	**$ 7,855,219**	**$ 8,088,401**

See Notes to Financial Statements.

Lincoln/Lancaster County Habitat for Humanity, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
ReStore			
Sale of Purchased and Donated Merchandise	$ 647,434	$ -	$ 647,434
Donated Merchandise	930,977	-	930,977
Cost of Purchased and Donated Merchandise Sold	(835,766)	-	(835,766)
Total ReStore	742,645	-	742,645
Cash Contributions	348,715	-	348,715
In-Kind Contributions	18,146	-	18,146
Grants	550,618	598,719	1,149,337
Sales to Homeowners	838,035	-	838,035
Fundraising	44,650	-	44,650
Other Program Revenue	4,600	-	4,600
Mortgage Loan Discount Amortization	234,458	-	234,458
Miscellaneous Revenue	2,865	-	2,865
Interest Income	29,951	-	29,951
Total Revenues and Support	2,814,683	598,719	3,413,402
EXPENSES			
Program Services	2,844,244	-	2,844,244
Management and General	382,720	-	382,720
Fundraising and Development	202,615	-	202,615
Total Expenses	3,429,579	-	3,429,579
Change in Net Assets	(614,896)	598,719	(16,177)
Net Assets, Beginning of Year	3,457,696	-	3,457,696
NET ASSETS, END OF YEAR	**$ 2,842,800**	**$ 598,719**	**$ 3,441,519**

See Notes to Financial Statements.

Lincoln/Lancaster County Habitat for Humanity, Inc.

Statement of Activities and Changes in Net Assets

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT			
ReStore			
Sale of Purchased and Donated Merchandise	$ 835,865	$ -	$ 835,865
Donated Merchandise	787,659	-	787,659
Cost of Purchased and Donated Merchandise Sold	(839,826)	-	(839,826)
Total ReStore	783,698	-	783,698
Cash Contributions	264,926	-	264,926
In-Kind Contributions	157,239	-	157,239
Grants	602,803	-	602,803
Sales to Homewowners	923,778	-	923,778
Fundraising	45,690	-	45,690
Other Program Revenue	21,621	-	21,621
Mortgage Loan Discount Amortization	167,561	-	167,561
Miscellaneous Revenue	4,407	-	4,407
Interest Income	14,547	-	14,547
Net Assets Released from Restrictions	10,000	(10,000)	-
Total Revenues and Support	2,996,270	(10,000)	2,986,270
EXPENSES			
Program Services	2,530,712	-	2,530,712
Management and General	378,932	-	378,932
Fundraising and Development	170,179	-	170,179
Total Expenses	3,079,823	-	3,079,823
Change in Net Assets	(83,553)	(10,000)	(93,553)
Net Assets, Beginning of Year	3,541,249	10,000	3,551,249
NET ASSETS, END OF YEAR	**$ 3,457,696**	**$ -**	**$ 3,457,696**

See Notes to Financial Statements.

Lincoln/Lancaster County Habitat for Humanity, Inc.

Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services			Supporting Activities			
	Homeowner Services	ReStore	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	Total
Payroll and Benefits	$ 322,611	$ 441,846	$ 764,457	$ 210,199	$ 86,554	$ 296,753	$ 1,061,210
Advertising	2,143	23,565	25,708	1,623	19,169	20,792	46,500
Cost of Homes Sold	1,329,148	-	1,329,148	-	-	-	1,329,148
Depreciation	11,653	41,470	53,123	11,099	-	11,099	64,222
Dues and Subscriptions	15,798	22,102	37,900	5,139	4,530	9,669	47,569
Fundraising	-	-	-	-	18,865	18,865	18,865
Interest Expense	-	9,515	9,515	5,115	-	5,115	14,630
Miscellaneous Expenses	31,486	15,118	46,604	2,764	2,002	4,766	51,370
Occupancy	14,584	270,052	284,636	25,853	6,851	32,704	317,340
Printing and Postage	-	7,382	7,382	2,480	905	3,385	10,767
Professional Services	78,367	260	78,627	76,849	42,504	119,353	197,980
Repairs and Maintenance	8,229	39,378	47,607	4,642	5,974	10,616	58,223
Service Charges	94	24,580	24,674	3,827	16	3,843	28,517
Supplies	13,271	8,544	21,815	6,715	5,618	12,333	34,148
Taxes and Insurance	18,277	39,254	57,531	11,036	7,332	18,368	75,899
Telephone	2,661	2,444	5,105	1,928	1,411	3,339	8,444
Tithe to HFHI	25,000	-	25,000	-	-	-	25,000
Training, Travel, and Meetings	3,932	1,873	5,805	1,551	884	2,435	8,240
Vehicle Expense	7,682	11,925	19,607	11,900	-	11,900	31,507
TOTAL FUNCTIONAL EXPENSES	**$ 1,884,936**	**$ 959,308**	**$ 2,844,244**	**$ 382,720**	**$ 202,615**	**$ 585,335**	**$ 3,429,579**

See Notes to Financial Statements.

Lincoln/Lancaster County Habitat for Humanity, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services			Supporting Activities			
	Homeowner Services	ReStore	Total Program Services	Management and General	Fundraising and Development	Total Supporting Activities	Total
Payroll and Benefits	$ 239,317	$ 379,070	$ 618,387	$ 271,177	$ 95,713	$ 366,890	$ 985,277
Advertising	6,562	30,613	37,175	1,503	17,346	18,849	56,024
Cost of Homes Sold	1,147,317	-	1,147,317	-	-	-	1,147,317
Depreciation	10,295	37,501	47,796	11,684	-	11,684	59,480
Dues and Subscriptions	16,116	3,510	19,626	4,155	5,916	10,071	29,697
Fundraising	-	-	-	-	18,531	18,531	18,531
Interest Expense	2,231	9,761	11,992	2,680	822	3,502	15,494
Miscellaneous Expenses	6,275	9,500	15,775	2,427	1,313	3,740	19,515
Occupancy	11,431	297,107	308,538	2,011	5,368	7,379	315,917
Printing and Postage	336	2,803	3,139	326	122	448	3,587
Professional Services	38,744	11,272	50,016	50,991	5,352	56,343	106,359
Repairs and Maintenance	4,790	52,690	57,480	1,630	2,006	3,636	61,116
Service Charges	1,278	23,083	24,361	5,543	319	5,862	30,223
SOSI	-	-	-	15,000	-	15,000	15,000
Supplies	17,732	11,319	29,051	2,654	5,578	8,232	37,283
Taxes and Insurance	12,640	49,106	61,746	5,528	1,514	7,042	68,788
Telephone	7,442	3,157	10,599	1,277	2,651	3,928	14,527
Tithe to HFHI	46,800	-	46,800	-	-	-	46,800
Training, Travel, and Meetings	6,209	478	6,687	346	7,628	7,974	14,661
Vehicle Expense	11,207	23,020	34,227	-	-	-	34,227
TOTAL FUNCTIONAL EXPENSES	**$ 1,586,722**	**$ 943,990**	**$ 2,530,712**	**$ 378,932**	**$ 170,179**	**$ 549,111**	**$ 3,079,823**

See Notes to Financial Statements.

Lincoln/Lancaster County Habitat for Humanity, Inc.

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ (16,177)	$ (93,553)
Adjustments to Reconcile Change in Net Assets to		
Net Cash Provided by (Used in) Operating Activities		
Depreciation	64,222	59,480
Transfers of Mortgages and Lots to Homeowners, Net		
of Discount	(67,520)	(26,200)
Mortgage Loan Discount Amortization	(234,458)	(167,561)
Lease Expense	49,915	121,493
Decrease (Increase) in Assets:		
Prepaid Expenses	(11,330)	7,979
Trade Accounts Receivable	143,828	163,420
Grants Receivable	(77,135)	122,179
Notes Receivable	(16,425)	(25,493)
Inventory - Lots and Homes	228,025	(438,624)
Inventory - ReStore	31,187	(7,803)
Increase (Decrease) in Liabilities:		
Accounts Payable and Accrued Expenses	(16,760)	(10,633)
Funds Held in Escrow	133	16,840
Deferred Grant Revenue	-	(8,166)
Net Cash Provided by (Used in) Operating Activities	77,505	(286,642)
CASH FLOWS FROM INVESTING ACTIVITIES		
Mortgage Payments Received	356,556	347,970
Purchase of Property and Equipment	(7,131)	(70,103)
Net Cash Provided by Investing Activities	349,425	277,867
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on Notes Payable	(38,755)	(37,891)
Net Change in Cash and Cash Equivalents and Restricted Cash	388,175	(46,666)
Cash and Cash Equivalents and Restricted Cash, Beginning of Year	817,235	863,901
Cash and Cash Equivalents and Restricted Cash, End of Year	**$ 1,205,410**	**$ 817,235**

See Notes to Financial Statements.

Lincoln/Lancaster County Habitat for Humanity, Inc.

Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	2024	2023
Undesignated and restricted cash and cash equivalents are reported within the statements of financial position as follows:		
Cash and Cash Equivalents, Undesignated	$ 1,103,421	$ 693,021
Restricted Cash, Escrow	101,989	124,214
Total Cash and Cash Equivalents	$ 1,205,410	$ 817,235
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest Paid	$ 14,630	$ 15,494
Adoption of ASU 2016-02		
Operating Lease Right of Use Assets Obtained in Exchange For Operating Lease Liabilities	$ -	$ 3,814,533
Deferred Grant Revenue Reclassified to Operating Lease Right-of-Use Assets	-	37,894

See Notes to Financial Statements.

1. Summary of Significant Accounting Policies

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements is set forth below.

Nature of Business

Lincoln/Lancaster County Habitat for Humanity, Inc. (the Organization) is a not-for-profit corporation incorporated on February 12, 1988. The Organization is an affiliate of Habitat for Humanity International, Inc. (HFHI), 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. The Organization's ReStore is a home improvement and donation center that sells donated or purchased building materials, appliances, furniture and home accessories. The Organization's support comes primarily from contributions and grants.

Basis of Presentation

The Organization follows Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*.

Net Assets Without Donor Restrictions – Net assets whose use is not restricted by donors, even though their use may be limited in other respects, such as by contract or by board designation.

Net Assets With Donor Restrictions – Net assets whose use has been limited by donor-imposed stipulations that may or will be met either by actions of the Organization and/or by the passage of time. Net assets restricted by the actions of the Organization and/or the passage of time are temporary in nature. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity by the Organization.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions, in which case the revenues are reported as increases in net assets with donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Revenues and expenses are recognized when earned and incurred, respectively. Expirations of net assets with donor restrictions that are temporary in nature (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

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.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less to be cash and cash equivalents.

Restricted Cash

The Organization 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.

Trade Accounts Receivable

Trade accounts receivable are carried at original invoice amount less an estimate for credit losses. Management determines the allowance for credit losses by regularly evaluating the aging of customer receivables and considering a customer's financial condition, credit history, current economic conditions and forecasts about future economic conditions. Trade accounts receivable are written off when deemed uncollectible. Recoveries of trade accounts receivable previously written off are recorded when received. Based on management's assessment of the credit history and current relationships with customers having outstanding balances at year-end, management has concluded that recording an allowance for credit losses would be insignificant.

Grants Receivable

Grants receivable are reported at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history and current relationships with grantors having outstanding balances at year-end, management has concluded that recording an allowance would be immaterial.

Notes Receivable

Notes receivable consists of noninterest-bearing notes which are secured by real estate. Repayment to the Organization 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.

Notes receivable are reported at the amount management expects to collect from balances outstanding at year-end, less an estimate for credit losses. Management determines the allowance for credit losses by regularly evaluating the aging of customer receivables and considering a customer's financial condition, credit history, current economic conditions and forecasts about future economic conditions. Based on management's assessment of the credit history and current relationships with customers having outstanding balances at year-end, management has concluded that recording an allowance for credit losses would be immaterial.

Mortgage Loans Receivable

Mortgage loans receivable consist 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.

Mortgage loans receivable are reported at the amount management expects to collect from balances outstanding at year-end, net of the discount, less an allowance for credit losses. Management determines the allowance for credit losses by regularly evaluating the aging of customer receivables and considering a customer's financial condition, credit history, current economic conditions and forecasts about future economic conditions. Based on management's assessment of the credit history and current relationships with customers having outstanding balances at year-end, management has concluded that recording an allowance for credit losses would be immaterial.

The Organization may sell mortgages to financial institutions. When this occurs, the unamortized balance of the loan discount upon the sale of the loan is included in mortgage loan discount amortization on the statements of activities and changes in net assets. The mortgage sold is derecognized from the mortgage loans receivable balance on the statements of financial position.

Contract Balances

Contract assets represent the Organization'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 the Organization transfers goods or services and represents the Organization's obligation to the customers. Contract liabilities are included in the statements of financial position as lots to be transferred to homeowners and totaled $80,235, $147,755, and $173,955 at June 30, 2024, 2023, and 2022, respectively.

Concentration of Credit Risk

The Organization has several types of financial instruments subject to credit risk. The Organization maintains bank accounts in which the balances sometimes exceed the Federal Deposit Insurance Corporation (FDIC) limit of $250,000. At June 30, 2024 and 2023, there were cash balances in excess of FDIC limits at the bank of approximately $407,000 and $454,000, respectively.

The Organization's cash equivalents, trade accounts receivable, grants receivable, mortgage loans receivable, and notes receivable are also subject to credit risk.

Inventories

Lots and homes 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 price in the ordinary course of business, less reasonable costs of completion, disposal, and transportation. Cost is determined by the FIFO method.

Property and Equipment

Property and equipment are recorded at cost, less accumulated depreciation, if purchased by the Organization. Expenditures for additions and betterments over $500 are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. The costs of assets disposed and the related accumulated depreciation are eliminated from the accounts in the year of disposal. Gains or losses from property disposals are recognized in the year of disposal. Property and equipment received by donation are carried at fair market value at the date of the contribution, less accumulated depreciation.

Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings	39 Years
Leasehold Improvements	14 Years
Construction Equipment and Vehicles	5-7 Years
ReStore Equipment	3-7 Years
Furniture and Equipment	3-7 Years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the assets is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of the long-lived asset exceeds its fair value. Management does not believe any impairment existed at June 30, 2024 and 2023.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets and in the statements of functional expenses. Certain expenses are applied directly to the related program or supporting activities while others require an allocation that is consistently applied. Accordingly, payroll and benefits have been allocated on the basis of each job function and an estimate of time and effort.

Leases

The Organization follows Accounting Standards Update 2016-02, *Leases* (Topic 842) through a right-of-use (ROU) model that requires a lessee to recognize a ROU asset and lease liability on the accompanying statements of financial position for all leases. The Organization has elected the short-term lease practical expedient to exclude leases with terms of 12 months or less from recognition on the accompanying statements of financial position. The Organization utilizes the incremental borrowing rate for determining the present value of future lease payments unless the implicit rate is readily determinable.

Revenue Recognition

The Organization follows Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers* (Topic 606). Accordingly, the Organization's policy for revenue recognition is detailed below. Contributions, grants, and fundraising revenues are not subject to ASU 2014-09 and have been recognized in accordance with Accounting Standards Codification 958, *Not-for-Profit Entities.*

ReStore Sales

ReStore is a home improvement and donation center that sells donated or purchases 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. The Organization has not received any conditional contributions.

Grants

The Organization is the recipient of federal, state, and local grants to fund its primary programs. Grants are recorded as revenue when the related and approved expenditures are made. At June 30, 2024 and 2023, conditional reimbursement-basis grants of $1,063,598 and $361,875 were awarded to the Organization in which the related expenditures have not been incurred and therefore have not been reflected on the accompanying financial statements.

Sales to Homeowners

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

Fundraising

The Organization holds fundraising events to raise money to support program services. Revenue that is received in exchange for a benefit is recognized 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.

Other Program Revenue - Silent Recapture

The Organization includes a second promissory note with the sale of a home when the fair market value of the home exceeds 30% of the buyer'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, which creates 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 the Organization 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 statements of activities and changes in net assets under other program revenue.

Other Program Revenue - Repairs Income

The Organization provides repair services to low-income households and finances all or a portion 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 statements of activities and changes in net assets under other program revenue.

Mortgage Loan Discount Amortization

The Organization discounts mortgage receivable to reflect the value of the zero-interest mortgages more fairly on the statements 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 discount rate. The discount expense is recorded in the first year of the mortgage and is recaptured as revenue over the life of the mortgage.

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

It is the Organization's policy to sell all contributed assets not for sale at ReStore immediately upon receipt at auction or for salvage value unless the asset is restricted for use in a specific program by the donor.

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 years ended June 30, 2024 and 2023 was $23,194 and $19,097, respectively, and is included in accounts payable and accrued expenses. The Organization's policy is to pay this liability upon termination of employment.

Advertising Costs

The costs of advertising are expensed as incurred. Advertising costs were approximately $47,000 and $56,000 for the years ended June 30, 2024 and 2023, respectively.

Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization applies the provisions of FASB Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, included in ASC Subtopic 7410-10, *Income Taxes – Overall*. ASC 740-10 provides specific guidance on how to address uncertainty in accounting for income tax assets and liabilities, prescribing recognition thresholds and measurement attributes. At June 30, 2024 and 2023 , the Organization had no uncertain tax positions.

The Organization is no longer subject to income tax examinations by federal, state, or local tax authorities for years before June 30, 2021.

Subsequent Events

Subsequent events are events or transactions that occur after the statement of financial position date, but before the financial statements are available to be issued and may require potential recognition or disclosure in the financial statements. Management has considered such events or transactions through November 18, 2024, noting no items requiring disclosure.

2. Mortgage Loans Receivable

Mortgage loans receivable to the Organization are discounted from their stated rates to various rates ranging from 7.23% to 8.53% at the inception of the mortgages, as dictated by HFHI. The Organization determined 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 at June 30, consists of the following:

	2024	2023
Mortgage Loans Receivable	$ 4,164,411	$ 4,552,219
Mortgage Loans Discount	(2,577,452)	(2,843,162)
	$ 1,586,959	$ 1,709,057

In prior years, the Organization sold mortgages with outstanding balances to a third-party financial institution. The Organization retains full recourse on these mortgages and continues to service and guarantee the mortgages. The Organization retains the right to substitute similar mortgages in case of default by the homeowners to pay the mortgage. At June 30, 2024 and 2023, the amount of loans still outstanding subject to the Organization's guarantee was approximately $290,000 and $363,000, respectively.

3. Lots to Be Transferred to Homeowners

The Organization 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, the Organization agrees to begin construction of single-family homes within one year from the date the Organization receives title of each lot purchased, and to 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 of Lincoln for the lot purchased is also transferred to the homeowner. Repayment to the City of Lincoln shall occur by homeowners at such time they sell the property or discontinue use of the property as their permanent residence.

At June 30, 2024 and 2023, the Organization held lots purchased with HOME funds with a total value of approximately $80,000 and $145,000, respectively.

4. Inventory

Inventory at June 30, consists of the following:

	2024	2023
Lots	$ 293,800	$ 144,874
Homes Under Construction	290,858	667,809
ReStore Inventory	196,287	227,474
	$ 780,945	$ 1,040,157

5. Property and Equipment

Property and equipment at June 30, consists of the following:

	2024	2023
Land	$ 98,447	$ 98,447
Buildings and Improvements	274,387	274,387
Leasehold Improvements	107,308	107,308
Construction Equipment	103,157	103,157
Vehicles	101,411	101,411
ReStore Equipment	104,134	97,003
Furniture and Equipment	88,789	88,789
Total Cost	877,633	870,502
Less Accumulated Depreciation	(367,066)	(302,844)
Net Book Value	$ 510,567	$ 567,658

6. Notes Payable

Notes payable at June 30, consists of the following:

	2024	2023
Installment note payable to a bank, payable in monthly installments of $1,000, including interest at 2.25% through March 31, 2030, at which time all unpaid principal and interest are due, collateralized by a Deed of Trust on certain buildings, land, inventory and equipment.	$ 220,352	$ 227,240
Installment note payable to HFHI. Due in quarterly installments of $10,345 which includes interest at 3.75%, maturing on December 31, 2029. The note payable is collateralized by certain mortgages.	205,856	237,723
Total Notes Payable	$ 426,208	$ 464,963

The aggregate maturities of long-term debt for years ending after June 30, 2024 are as follows:

Year Ending June 30,	
2025	$ 41,238
2026	42,701
2027	44,217
2028	45,775
2029	47,415
Thereafter	204,862
	$ 426,208

7. Line of Credit

The Organization has a $140,000 demand line of credit, none of which was drawn down as of June 30, 2024 and 2023. The interest rate is 0.50% plus the Prime Rate, which was 8.50% and 8.25%, respectively, at June 30, 2024 and 2023.

8. Restrictions and Limitations on Net Assets Balances

Net assets with donor restrictions that are temporary in nature are available for the following purposes at June 30:

	2024	2023
New Construction and Repairs	$ 488,719	$ -
Closing Costs	60,000	-
Aging-in-Place Program	50,000	-
	$ 598,719	$ -

Net assets were released from restrictions by incurring expenses satisfying the restricted purpose or by the occurrence of their specified events for the years ended June 30 as follows:

	2024	2023
New Construction and Repairs	$ -	$ 10,000

9. Defined Contribution Plan

The Organization maintains a 401(k) plan for eligible employees. The plan provides a matching contribution in an amount equal to 3% of the eligible employee's annual contribution. The Organization contributed approximately $20,000 and $19,000 to the 401(k) plan for the years ended June 30, 2024 and 2023, respectively.

10. Payments to International Affiliate

The Organization annually remits a portion of its cash contributions to HFHI. These funds are used to construct homes in economically depressed areas around the world. For the years ended June 30, 2024 and 2023, the Organization contributed $25,000 and $46,800, respectively.

11. Liquidity and Cash Management

The Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, are calculated as follows:

	2024	2023
Cash and Cash Equivalents, Undesignated	$ 1,103,421	$ 693,021
Trade Accounts Receivable	2,727	146,555
Grants Receivable	77,135	-
Total Financial Assets	1,183,283	839,576
Less Amounts Not Available for General Expenditures		
Net Assets with Donor Restrictions	(598,719)	-
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 584,564	$ 839,576

Trade accounts receivable and grants receivable are subject to implied time restrictions but are expected to be collected within one year.

The Organization manages its liquid resources by structuring its financial assets to be available as its general expenditures, liabilities, and other obligations become due. In addition, the Organization invests cash in excess of daily requirements in short-term federal investment trusts. Although the Organization does not intend to spend from its investments other than amounts appropriated for general expenditures as part of its annual budget approval and appropriation process, amounts could be made available, if necessary. Additionally, the Organization could obtain additional funding from its line of credit, if needed.

12. In-Kind Contributions

Contributed nonfinancial assets recognized as revenue within the statements of activities and changes in net assets consist of the following at June 30:

Nonfinancial Contributions	Valuation	2024	2023
Merchandise	Third party values based on selling prices of like items	$ 930,977	$ 787,659
Construction Supplies	Third party values based on selling prices of like items	18,146	2,239
Homes and Lots	Estimated fair value based on similar valuations	-	155,000
Totals		$ 949,123	$ 944,898

Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

13. Leases

The Organization leases a building and certain equipment which are all classified as operating leases. The leases expire on various dates through 2042. The renewal options for the building was included in the calculation of the operating right-of-use assets and operating lease liabilities as the Organization is reasonably certain to exercise the renewal options. The nonlease components have not been included in the calculation of right-of-use assets and lease liabilities.

For the years ended June 30, total lease cost and other information included in the calculation of the operating right-of-use assets and lease liabilities consisted of the following:

	2024	2023
Lease Cost		
Operating Lease Expense	$ 268,566	$ 285,562
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Operating Leases	$ 218,651	$ 164,069
Operating Lease Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities	-	3,814,533
Weighted-Average Remaining Lease Term (Years) - Operating Leases	17.2	19.3
Weighted-Average Discount Rate - Operating Leases	3.32%	3.32%

Future minimum lease payments under these leases, excluding other related operating expenses, for the years ending after June 30, 2024 and their reconciliation to the operating lease liabilities included in the accompanying financial statements are as follows:

Year Ending June 30,	Operating Leases
2025	$ 218,652
2026	228,672
2027	233,679
2028	239,999
2029	246,308
Thereafter	3,899,056
Total Future Lease Payments	5,066,366
Less: Discount to Present Value	(1,344,775)
Total Lease Liabilities	$ 3,721,591

Lutz