

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016



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

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
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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, 2017, 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 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, 2017, 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.

### *Report on Summarized Comparative Information*

We have previously audited Lincoln/Lancaster County Habitat for Humanity's 2016 financial statements, and in our report dated December 22, 2016, 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Dana J Cole + Company, LLP

Lincoln, Nebraska  
October 18, 2017

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
<b>ASSETS</b>		
<b>ASSETS</b>		
Cash and cash equivalents	504,140	394,531
Restricted cash	167,186	126,931
Prepaid expenses and other assets	14,729	17,640
Notes receivable	74,346	72,000
Mortgage loans receivable, net of discount	1,789,669	1,868,026
Inventory - lots and homes	357,968	300,439
Inventory - ReStore	13,398	10,411
Property and equipment, net	<u>415,050</u>	<u>168,480</u>
<b>TOTAL ASSETS</b>	<u><u>3,336,486</u></u>	<u><u>2,958,458</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	54,880	19,877
Funds held in escrow	167,186	126,931
Lots to be transferred to homeowners	100,524	91,746
Annuity payable	2,915	3,182
Deferred revenue of transferred mortgages receivable	<u>269,420</u>	<u>292,740</u>
Total liabilities	<u>594,925</u>	<u>534,476</u>
<b>NET ASSETS</b>		
Unrestricted	<u>2,741,561</u>	<u>2,423,982</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>3,336,486</u></u>	<u><u>2,958,458</u></u>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
REVENUES AND OTHER SUPPORT		
ReStore	327,327	283,900
Cash contributions	215,695	394,949
In-kind contributions - materials and services	61,711	10,060
In-kind contributions - ReStore	34,250	24,078
In-kind contributions - land and building	107,785	
Grants	100,043	103,453
Sales to homeowners	388,832	617,665
Fundraising	21,032	49,069
Other revenue	66,981	36,895
Mortgage loan discount amortization	160,097	162,914
Gain on sale of assets	183,613	
Total revenues and other support	<u>1,667,366</u>	<u>1,682,983</u>
EXPENSES		
Program services	1,103,149	1,413,135
Management and general	156,378	110,711
Fundraising	90,260	86,194
Total expenses	<u>1,349,787</u>	<u>1,610,040</u>
CHANGE IN NET ASSETS	317,579	72,943
NET ASSETS, beginning of year	<u>2,423,982</u>	<u>2,351,039</u>
NET ASSETS, end of year	<u>2,741,561</u>	<u>2,423,982</u>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	Program Services				Supporting Services		Totals	
	Construction	ReStore	Mortgage Discount	Total	Management and General	Fundraising	2017	2016
Payroll and benefits	52,221	139,845		192,066	65,884	78,105	336,055	303,925
Contract labor					5,603		5,603	4,049
Cost of homes sold	439,346			439,346			439,346	733,326
Mortgage discount			270,764	270,764			270,764	315,351
Fundraising		75		75		12,155	12,230	13,557
Tithe to HFHI	30,000	5,000		35,000			35,000	25,000
Taxes and insurance	4,488	12,522		17,010	19,830		36,840	34,810
Occupancy		89,457		89,457	11,737		101,194	88,307
Vehicle expense		4,499		4,499	272		4,771	2,486
Advertising		9,216		9,216	396		9,612	3,910
SOSI	15,000			15,000			15,000	15,000
Depreciation		5,133		5,133	7,562		12,695	11,851
Equipment		256		256	1,531		1,787	1,517
Training, travel, and meetings		1,639		1,639	3,253		4,892	4,736
Telephone								8,226
Supplies		6,871		6,871	11,683		18,554	4,647
Interest					222		222	658
Printing and postage		77		77	6,683		6,760	2,704
Repairs and maintenance	606	1,193		1,799	1,187		2,986	2,402
Professional services		3,570		3,570	14,598		18,168	16,535
Service charges		5,854		5,854	(2,471)		3,383	5,828
Miscellaneous expenses	493	5,024		5,517	8,408		13,925	11,215
<b>TOTAL EXPENSES</b>	<b>542,154</b>	<b>290,231</b>	<b>270,764</b>	<b>1,103,149</b>	<b>156,378</b>	<b>90,260</b>	<b>1,349,787</b>	<b>1,610,040</b>

See accompanying notes to financial statements.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	<u>317,579</u>	<u>72,943</u>
Adjustments to reconcile change in net assets to net cash used in operating activities:		
In-kind contributions capitalized	(107,785)	
Gain on sale of assets	(183,613)	
Depreciation	12,695	11,851
Transfers to homeowners, net of discount	(157,785)	(302,314)
Amortization of discount	(160,097)	(162,914)
Change in value of annuity	673	734
(Increase) decrease in operating assets:		
Restricted cash	(40,255)	299
Prepaid expenses and other assets	2,911	13,191
Other notes receivable	(2,346)	
Inventory - lots and homes	(57,529)	184,004
Inventory - ReStore	(2,987)	216
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	7,342	(16,688)
Funds held in escrow	<u>40,255</u>	<u>(299)</u>
Total adjustments	<u>(648,521)</u>	<u>(271,920)</u>
Net cash used in operating activities	<u>(330,942)</u>	<u>(198,977)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Mortgage payments received	329,757	340,949
Proceeds from mortgage loans sold		99,049
Payments on mortgage loans sold	(23,320)	(25,457)
Proceeds from sale of fixed assets	300,000	
Purchases of fixed assets	<u>(240,206)</u>	<u>(22,728)</u>
Net cash provided by investing activities	<u>366,231</u>	<u>391,813</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from HOME program	75,260	25,164
Payments on line of credit		(50,000)
Annuity payments	<u>(940)</u>	<u>(940)</u>
Net cash provided by (used in) financing activities	<u>74,320</u>	<u>(25,776)</u>



LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
STATEMENTS OF CASH FLOWS  
YEAR ENDED JUNE 30, 2017  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2016

	2017	2016
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,609	167,060
CASH AND CASH EQUIVALENTS, beginning of year	<u>394,531</u>	<u>227,471</u>
CASH AND CASH EQUIVALENTS, end of year	<u>504,140</u>	<u>394,531</u>
 SCHEDULE OF NONCASH INVESTING ACTIVITIES		
Property and equipment additions	375,652	22,728
Less: in-kind contributions capitalized	(107,785)	
Less: property and equipment acquired through accounts payable	<u>(27,661)</u>	
Cash paid for property and equipment	<u>240,206</u>	<u>22,728</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.

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.

Financial Statement Presentation

Habitat follows the recommendations of the FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. Under this standard, Habitat is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. A description of the net asset categories utilized by Habitat follows:

Unrestricted Net Assets

Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains or losses on investments and any other assets or liabilities are reported as increases in unrestricted net assets unless their use is limited by donor stipulation or by laws.

There were no temporarily restricted or permanently restricted net assets as of June 30, 2017 and 2016.

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.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Contributions (Continued)

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.

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 non-interest-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.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

Notes Receivable (Continued)

Notes receivable also consists of unsecured non-interest-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 non-interest-bearing mortgages which are secured by real estate and payable in monthly installments over the life of the mortgage. Non-interest-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.

Transferred Mortgages Receivable

Transferred mortgages receivable are accounted for in accordance with FASB ASC 860, *Accounting for Transfers and Servicing*. Under this standard, the Organization 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 \$13,398 and \$10,411 for the years ended June 30, 2017 and 2016, respectively.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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. Habitat's policy is to capitalize all fixed assets greater than \$500.

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.

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 the Organization's tax-exempt purpose is subject to taxation as unrelated business income. In addition, the Organization 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).

The Organization utilizes the provisions of FASB ASC 740-10, *Accounting for Uncertain Tax Positions*. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. The Organization 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 \$9,612 and \$3,910 for the years ended June 30, 2017 and 2016, respectively.

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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.

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, 2016, 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, 2017 and 2016, the amount of deposits not covered were \$41,497 and \$- 0 -, respectively.

Habitat maintains a short-term federal investment trust in the amount of \$522,304 and \$214,418 as of June 30, 2017 and 2016, 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, 2017 and 2016, are as follows:

	2017	2016
Mortgage loans	4,272,474	4,231,488
Mortgage discount	(2,588,444)	(2,469,101)
	1,684,030	1,762,387

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

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. Habitat continues to service and guarantee the mortgage loans and retains the right 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, 2017 and 2016, the outstanding balance of loans sold was as follows:

	2017	2016
Face value	209,919	218,595
Less: unamortized discount	<u>(104,280)</u>	<u>(112,956)</u>
Net present value	<u>105,639</u>	<u>105,639</u>

NOTE 5. INVENTORY - LOTS AND HOMES

Inventory consists of the following at June 30:

	2017	2016
Lots	183,615	157,297
Homes under construction	<u>174,353</u>	<u>143,142</u>
	<u>357,968</u>	<u>300,439</u>

NOTE 6. PROPERTY AND EQUIPMENT

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

	Balance July 1, 2016	Addi- tions	Dele- tions	Balance June 30, 2017
Land		93,728		93,728
Buildings and improvements	193,054	254,420	(193,054)	254,420
Leasehold improvements	18,939	963		19,902
Construction equipment	26,262			26,262
Vehicles	3,949	5,975		9,924
ReStore equipment	15,953			15,953
Furniture and equipment	22,041	20,566		42,607
	<u>280,198</u>	<u>375,652</u>	<u>(193,054)</u>	<u>462,796</u>
Less accumulated depreciation	<u>(111,718)</u>	<u>(12,695)</u>	<u>76,667</u>	<u>(47,746)</u>
	<u>168,480</u>	<u>362,957</u>	<u>(116,387)</u>	<u>415,050</u>

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

NOTE 6. PROPERTY AND EQUIPMENT (Continued)

	Balance July 1, 2015	Addi- tions	Dele- tions	Balance June 30, 2016
Buildings and improvements	193,054			193,054
Leasehold improvements	18,939			18,939
Construction equipment	26,262			26,262
Vehicles	3,949			3,949
ReStore equipment	10,588	5,365		15,953
Furniture and equipment	4,678	17,363		22,041
	<u>257,470</u>	<u>22,728</u>		<u>280,198</u>
Less accumulated depreciation	(99,867)	(11,851)		(111,718)
	<u>157,603</u>	<u>10,877</u>		<u>168,480</u>

Depreciation expense for the years ended June 30, 2017 and 2016, was \$12,695 and \$11,851, 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, 2017 and 2016. Interest is payable monthly at an annual rate equal to 0.50% plus the prime rate announced by the bank. Interest expense incurred under the Agreement was \$222 and \$658 for the years ended June 30, 2017 and 2016, 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.

At June 30, 2017 and 2016, Habitat held lots purchased with HOME funds with a total value of \$100,524 and \$91,746, respectively.



LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

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 \$2,915 and \$3,182 at June 30, 2017 and 2016, 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 November 30, 2017, August 30, 2020, October 31, 2021, and March 31, 2022. The leases require Habitat to pay some executory costs such as insurance and property taxes. Rental expense for the leases totaled \$3,909 and \$5,581 for the years ended June 30, 2017 and 2016, 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 three-year terms. The lease requires Habitat to pay assessed property taxes and insurance coverage on the buildings. Rent expense for the lease totaled \$75,005 and \$63,077 for the years ended June 30, 2017 and 2016, respectively.

On June 28, 2016, Habitat entered into a noncancellable operating lease for office space. The base term of the lease is one year, expiring June 30, 2017. The lease requires Habitat to pay for insurance coverage on the building as well as utilities, maintenance and repairs. Rent expense for the lease totaled \$1 for the year ended June 30, 2017.

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

Year Ending June 30,	
2018	80,344
2019	85,284
2020	16,081
2021	2,032
2022	480
	<u>184,221</u>

LINCOLN/LANCASTER COUNTY  
HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS

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, 2017 and 2016, Habitat contributed \$35,000 and \$25,000, respectively. These amounts are included in program services expense in the statements of activities.

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 \$7,019 and \$6,438 for the years ended June 30, 2017 and 2016, respectively.

NOTE 13. SUBSEQUENT EVENTS

In preparing the financial statements, Habitat has evaluated events and transactions for potential recognition or disclosure through October 18, 2017, the date the financial statements were available to be issued.