

**CHEBOYGAN COUNTY
HABITAT FOR HUMANITY
CHEBOYGAN, MICHIGAN**

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2021**

CHEBOYGAN COUNTY HABITAT FOR HUMANITY

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cheboygan County Habitat for Humanity
Cheboygan, MI 49721

We have audited the accompanying financial statements of Cheboygan County Habitat for Humanity (a Michigan nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities 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.

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.

Basis for Qualified Opinion

As disclosed in Note A, the Organization does not count inventory at year end. Consequently, we were unable to determine the effects on the financial statements for not doing so.

Qualified Opinion

In our opinion, except for the possible effects of the matter discussed in the Basis for Qualified Opinion paragraph, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Cheboygan County Habitat for Humanity as of June 30, 2021 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

November 01, 2021

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2021**

ASSETS:

Cash and Cash Equivalents (Note B)	\$ 237,673
Accounts Receivable	17,768
Inventory	50,415
Construction in Progress	17,214
Prepaid Expenses	<u>3,116</u>
Total Current Assets	326,186
Mortgages Receivable (Note D)	157,275
Home & Lot Inventory (Note E)	65,851
Property and Equipment (Note F)	<u>246,003</u>
TOTAL ASSETS	<u>\$ 795,315</u>

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES:

Accounts Payable	\$ 5,481
Accrued Liabilities	3,567
Accrued Wages	2,879
Deferred Grant Income	10,704
Current Portion Long-Term Debt	<u>52,017</u>

TOTAL CURRENT LIABILITIES 74,648

Long-Term Debt (Note G) 27,570

TOTAL LIABILITIES 102,218

NET ASSETS:

Without Donor Restrictions	693,097
With Donor Restrictions	<u>0</u>

TOTAL NET ASSETS 693,097

TOTAL LIABILITIES AND NET ASSETS **\$ 795,315**

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE TWELVE MONTHS ENDING JUNE 30, 2021**

	<u>2021</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
SUPPORT & REVENUE:			
SUPPORT:			
Contributions	\$ 50,641	\$ 8,395	\$ 59,036
Grants	<u>0</u>	<u>96,294</u>	<u>96,294</u>
TOTAL SUPPORT	<u>50,641</u>	<u>104,689</u>	<u>155,330</u>
REVENUE:			
Fundraisers	10,543	0	10,543
Home Sales/Program	5,835	0	5,835
ReStore	144,029	0	144,029
Miscellaneous	30,959		30,959
Loss on Sale of Mortgage	(16,408)		(16,408)
Net assets released from restrictions	<u>106,689</u>	<u>(106,689)</u>	<u>0</u>
TOTAL REVENUE	<u>281,647</u>	<u>(106,689)</u>	<u>174,958</u>
TOTAL SUPPORT AND REVENUE	<u>332,288</u>	<u>(2,000)</u>	<u>330,288</u>
EXPENSES:			
ReStore	142,556		142,556
Program Services	75,833		75,833
General and Administrative	58,828	0	58,828
Fundraising	<u>22,280</u>		<u>22,280</u>
TOTAL EXPENSES	299,497	0	299,497
CHANGE IN NET ASSETS	32,791	(2,000)	30,791
NET ASSETS - JUNE 30, 2020	<u>660,306</u>	<u>2,000</u>	<u>662,306</u>
NET ASSETS - JUNE 30, 2021	<u>\$693,097</u>	<u>\$ 0</u>	<u>\$693,097</u>

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR-ENDED JUNE 30, 2021**

	<u>ReStore</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Expenses	\$78,111	\$12,808	\$34,603	\$12,808	\$138,330
Accounting Fees	702	702	702	702	2,808
Office and Supplies	3,867	1,699	3,321	448	9,335
Dues and Subscriptions	-	350	292	1,200	1,842
Repairs and Maintenance	813		614		1,427
Telephone/Internet	1,299	-	2,286	-	3,585
Supplies	3,375	135	775	-	4,285
Postage and Shipping	55	204	587	1,291	2,137
Printing	209	956	327	1,666	3,158
Utilities	4,418		2,061	-	6,479
Contract Services	300	2,400		-	2,700
Trash and Recycling	2,475		479		2,954
Travel	65	187	1,084	-	1,336
Depreciation	9,647	-	2,228	-	11,875
Advertising	3,579	662	1,524	549	6,314
Insurance	3,459	3,374	1,728	-	8,561
Special Event Expense	-		-	3,546	3,546
Tithe	-	1,500	-	-	1,500
Cost of Homes Sold	-	-	-	-	-
ReStore Expenses	19,252		-	-	19,252
Interest	1,688		707	-	2,395
Program Expense	8,183	50,768	5,087	70	64,108
Miscellaneous	1,059	88	423	-	1,570
Total Expenses	<u>\$142,556</u>	<u>\$75,833</u>	<u>\$58,828</u>	<u>\$22,280</u>	<u>\$299,497</u>

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDING JUNE 30, 2021**

CASH FLOWS FROM ACTIVITIES:	
Change in Net Assets	\$30,791
Adjustments for Non-Cash Expense:	
Depreciation	11,875
(INCREASE) DECREASE IN OPERATING ASSETS:	
Accounts Receivable	(13,495)
Mortgages Receivable	105,102
Construction in Progress	(17,214)
Inventory	(11,572)
Prepaid Insurance	(250)
INCREASE (DECREASE) IN LIABILITIES:	
Accounts Payable	2,181
Accrued Expenses	3,985
Deferred Grant Income	<u>6,135</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>117,538</u>
CASH FLOWS FROM INVESTING:	
New Equipment Purchases	<u>(34,014)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>(34,014)</u>
CASH FLOWS FROM FINANCING:	
Repayment of Long-Term Debt	(41,176)
Additional PPP Debt (Note G)	<u>32,322</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(8,854)</u>
Net Increase in Cash, cash equivalents and restricted cash	74,670
Beginning Cash, cash equivalents and restricted cash	<u>163,003</u>
Ending Cash, cash equivalents and restricted cash	<u>\$237,673</u>

See notes to the financial statements.

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Purpose: Cheboygan County Habitat for Humanity (CCHFH) was formed in March 1994. Habitat is an affiliate of Habitat for Humanity International, Inc., a nondenominational Christian nonprofit 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. Although Habitat for Humanity International assists with information resources, training, publications, prayer support and other ways, CCHFH is primarily and directly responsible for its own operations.

Basis of Accounting: The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents: Cash and cash equivalents consist of demand deposits in banks and cash on hand.

Inventory: Inventory consists of goods ready for resale. A small portion of inventory that is purchased is maintained at cost. The remaining inventory is calculated from a formula based on the average sales over the past fiscal year. The total ReStore inventory by visual observation is material in value, but is not counted.

Construction in Progress: Construction in Progress represents portions of project work that is uncompleted at year end.

Mortgage Receivable: Mortgages receivable consist of non-interest-bearing mortgages, which are secured by real estate and payable in monthly installments over the life of the mortgage. Generally accepted accounting principles require disclosure of fair market value in the case of noninterest bearing financial instruments. However, these disclosures are optional when the Organization's assets are under \$100,000,000, it is not publicly traded and the financial instruments are not derivative in nature. Therefore, the Organization has chosen to show these non-interest-bearing mortgages at face value.

Property and Equipment: Property and equipment are recorded at acquisition cost, including costs necessary to get the asset ready for its intended use. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets, ranging from five to thirty-nine years.

Contributions: Unconditional promises to give are recognized as revenue when the underlying promises are received by CCHFH. Gifts of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets are released from restrictions.

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Donated Services

A substantial number of volunteers have made significant contributions of their time to CCHFH's program and supporting services. The value of this contributed time is not reflected in these financial statements since it is not susceptible to an objective measurement or valuation.

Cost Allocation: The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation, which is allocated on the basis of estimates of time and effort. Telephone and internet costs are allocated based on 50% costs to ReStore and 50% to Management. Vehicle insurance is allocated 100% to the ReStore. The remaining insurance including Worker's Compensation, Property and Liability, expense is allocated 40% to ReStore, 40% program, and 20% Management. Utilities, including garbage, and building improvement costs are allocated 70% ReStore and 30% Management. Accounting costs are allocated 25% to each function.

Income Taxes

CCHFH has received exemption from income taxes under Section 501(c) (3) of the Internal Revenue Code under a group exemption letter granted to Habitat for Humanity International by the Internal Revenue Service. They are not a private foundation within the meaning of Section 501(a) and qualify for deductible contributions as provided in Section 170 (b) (I) (A) (vi).

Estimates in the Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 expenses during the reporting period. Actual results could differ from those estimates.

NOTE B – CASH AND CASH EQUIVALENTS

Cash at June 30, 2021 is summarized as follows:

Citizens National Bank — General Checking without Donor Restrictions	\$237,323
Citizens National Bank – General Checking with Donor Restrictions	0
Petty Cash	<u>350</u>
	<u>\$237,673</u>

CCHFH had no mutual funds at year-end.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

CCHFH has \$258,540 of financial assets available within one (1) year of the balance sheet date to meet cash needs for general expenditure consisting of unrestricted cash of \$237,673, prepaid expenses of \$3,116, and current portion of mortgages receivable of \$17,751. CCHFH has average monthly expenses of \$19,000 and has available financial assets on hand at year-end to cover 13 months of expenses.

NOTE D - MORTGAGES RECEIVABLE

Habitat sells homes to program participants in exchange for mortgage notes with no interest. These notes are generally payable to Habitat over 20 years, and are shown on the Statement of Financial Position discounted at the prevailing market interest rate at the inception of the mortgage.

At June 30, 2021, mortgages receivable was held on six (6) homes as two were financed elsewhere last year. There were no home sales for year-ended June 30, 2021.

The following is a summary of mortgage transactions:

Balance as of July 1, 2021	\$262,377
New mortgages	0
Payments	<u>(105,102)</u>
Balance as of June 30, 2021	<u>\$157,275</u>

NOTE E - HOME AND LOT INVENTORY

During the year-ended June 30, 2021, no new lots were obtained by Habitat for Humanity. Habitat for Humanity at year-end maintained five (5) lots.

Properties and values are as follows:

Nunda Township	1 Lot	\$ 9,400
Bonter Court - Cheboygan		6,665
James Street		8,000
Stempky Street		30,000
Will Street, Indian River		<u>11,786</u>
Total Home and Lot Inventory		<u>\$65,851</u>

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2021 is summarized below:

Building	\$ 325,568
Machinery and Equipment	58,047
Land	<u>25,000</u>
Total	\$ 408,615
Less Accumulated Depreciation	<u>(162,612)</u>
Property and Equipment – Net	<u>\$ 246,003</u>

NOTE G – LONG-TERM DEBT

Long-term debt at June 30 is summarized as follows:

	2021
Mortgage payable to Citizens National Bank due in monthly installments of \$1,775.00 including interest at 4.125%. The mortgage is secured by the ReStore building. Maturity date currently is August 5, 2023.	<u>\$ 47,265</u>
SBA Payroll Protection Program (PPP) Due to the 2020 Covid-19 pandemic, Cheboygan County Habitat for Humanity was awarded a second \$32,322 PPP loan. Based on the terms of the loan and its loan forgiveness section pursuant to Section 1106 of the Cares Act, this loan is eligible for debt forgiveness, which the requirements were met and subsequent to June 30, 2021 year-end, forgiveness was requested.	<u>\$ 32,322</u>
Total long-term debt	\$ 79,587
Less current portion	<u>(52,017)</u>
Long-term debt, net of current portion	<u>\$ 27,570</u>

With the assumption that the loan would be renewed after the current term, principal maturities of long-term debt for the years succeeding June 30 are as follows:

2022	\$52,017
2023	20,536
2024	<u>7,034</u>
Total	<u>\$79,587</u>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2021**

NOTE H – TEMPORARILY RESTRICTED ASSETS

In compliance with Michigan Public Act 173 CCHFH now uses Affiliate Mortgage Services to service all self-financed Habitat mortgages on the home it sells as well as maintaining and managing the escrow accounts used for insurance and property taxes on the home. Mortgage payments are temporarily restricted to “Fund for Humanity” to help build more homes in Cheboygan County. Affiliate Mortgage Services sends reports to update weekly and monthly.

NOTE I - STATEMENT OF CASH FLOWS INFORMATION

Cash paid for interest during the twelve months ended June 30, 2021 is \$2,396

NOTE J - TRANSFERS TO HOMEOWNERS

Transfers to homeowners are recorded at the gross mortgage amount less a down payment received. Mortgages are non-interest bearing. There were no home sales in the fiscal year-ending June 30, 2021.

NOTE K - HOME CONSTRUCTION COSTS

There were no homes under construction during the year ended June 30, 2021.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 01, 2021; the date which the financial statements were available to be issued.

On August 13, 2021 the Bonter Court property was sold which netted \$9,111 after closing costs.