

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
CHEBOYGAN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022

CHEBOYGAN COUNTY HABITAT FOR HUMANITY

TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 – 12

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Cheboygan County Habitat for Humanity (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cheboygan County Habitat for Humanity as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cheboygan County Habitat for Humanity and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 available to be issued.

Auditor's 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 auditor's 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 Cheboygan County Habitat for Humanity'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 Cheboygan County Habitat for Humanity'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.

Dan Smith & Company, PC

Gaylord, MI

November 11, 2022

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2022

	2022
ASSETS	
Current assets	
Cash	\$ 124,094
Accounts receivable	11,300
Inventory	46,104
Construction in Progress	101,135
Prepaid expenses	3,424
Total Current assets	286,057
Property, plant and equipment	
Fixed assets	414,323
Accumulated depreciation	(176,179)
Total Property, plant and equipment	238,144
Other assets	
Mortgages Receivable (Note 4)	138,338
Home & Lot Inventory (Note 5)	59,311
Home Repair Receivable	36,776
Total Other assets	234,425
Total Assets	\$ 758,626
LIABILITIES AND NET ASSETS:	
Current liabilities	
Accounts payable	\$ 10,803
Accrued liabilities	6,809
Accrued Wages	4,845
Deferred grant income	8,500
Current Portion Long-Term Debt	20,548
Total Current liabilities	51,505
Long term liabilities	
Long-Term Debt (Note 8)	6,980
Total Liabilities	58,485
NET ASSETS:	
Without Donor Restrictions	700,141
With Donor Restrictions	-
TOTAL NET ASSETS	700,141
TOTAL LIABILITIES AND NET ASSETS	\$ 758,626

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022**

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUES:			
SUPPORT:			
Contributions	\$ 48,431	\$ -	\$ 48,431
Grants	-	120,572	120,572
TOTAL SUPPORT	48,431	120,572	169,003
REVENUE:			
Fundraisers	19,176	-	19,176
Home Sales/Program	43,039	-	43,039
ReStore Revenue	165,726	-	165,726
Miscellaneous	5,411	-	5,411
Gain on Sale of Asset	3,392	-	3,392
Net assets released from restrictions	120,572	(120,572)	-
TOTAL REVENUE	357,316	(120,572)	236,744
TOTAL SUPPORT & REVENUE	405,747	-	405,747
EXPENSES:			
ReStore	174,722	-	174,722
Program Services	176,205	-	176,205
Management & General	46,932	-	46,932
Fundraising	33,166	-	33,166
TOTAL EXPENSES	431,025	-	431,025
INCOME (LOSS) FROM OPERATIONS	(25,278)	-	(25,278)
PPP Loan Forgiveness	32,322	-	32,322
CHANGE IN NET ASSETS	7,044	-	7,044
NET ASSETS - JUNE 30, 2021	693,097	-	693,097
NET ASSETS - JUNE 30, 2022	\$ 700,141	\$ -	\$ 700,141

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022**

	<u>ReStore</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Expenses	\$ 99,028	\$ 55,864	\$ 19,634	\$ 18,828	\$ 193,354
Accounting Fees	752	752	752	752	3,008
Office and Supplies	5,609	3,239	3,812	374	13,034
Dues and Subscriptions	175	175	570	-	920
Repairs and Maintenance	2,135	-	453	-	2,588
Telephone/Internet	1,664	174	2,827	1,210	5,875
Supplies	2,003	73	2,102	-	4,178
Postage and Shipping	-	15	632	1,060	1,707
Printing	-	643	534	1,712	2,889
Utilities	4,750	-	1,727	-	6,477
Contract Services	400	800	-	-	1,200
Trash and Recycle	1,707	-	667	-	2,374
Travel	72	1,037	1,054	4	2,167
Depreciation	9,472	-	4,095	-	13,567
Advertising	3,042	1,282	4,181	24	8,529
Insurance	3,408	3,561	1,777	-	8,746
Special Event	-	-	-	7,397	7,397
Tithe	-	1,500	-	-	1,500
ReStore Expenses	23,204	-	-	-	23,204
Interest	1,094	-	618	-	1,712
Program Services	15,730	107,060	646	1,713	125,149
Miscellaneous	477	30	851	92	1,450
Total Expenses	<u><u>\$ 174,722</u></u>	<u><u>\$ 176,205</u></u>	<u><u>\$ 46,932</u></u>	<u><u>\$ 33,166</u></u>	<u><u>\$ 431,025</u></u>

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2022**

	2022
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ 7,044
Adjustments for Non-Cash Expense:	
Depreciation	13,567
Changes in Operating Assets and Liabilities:	
Decrease in Accounts Receivable	6,468
Decrease in Mortgages Receivable	18,937
(Increase) in Home Repair Receivable	(36,776)
(Increase) in Construction in Progress	(83,921)
Decrease in Inventory	10,851
(Increase) in Prepaid Expenses	(308)
Increase in Accounts Payable	5,322
Increase in Accrued Expenses	5,208
(Decrease) in Deferred Grant Income	(2,204)
Net cash provided by (used in) operating activities	(55,812)
CASH FLOWS FROM INVESTING ACTIVITIES:	
New Equipment Purchases	(5,708)
Net cash (used) in investing activities	(5,708)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of Long-Term Debt	(19,737)
Forgiveness of PPP Loan	(32,322)
Net cash provided by (used in) financing activities	(52,059)
Net (decrease) in cash and cash equivalents	(113,579)
Beginning Cash, cash equivalents and restricted cash	237,673
Ending Cash, cash equivalents and restricted cash	\$ 124,094

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

Entity. 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. These financial statements were prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Cash and Cash Equivalents. For purposes of these financial statements, 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.

Mortgages Receivable. Mortgages receivables 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.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions. The Organization has adopted FASB ASU 958-210 related to contributions. Contributions received are recorded as net assets without donor restriction or net assets with donor restrictions depending upon the existence or nature of any donor restrictions. Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value.

The Organization receives contributions with donor restrictions to be used in accordance with the associated purpose restrictions. In addition, the Organization receives support without donor restrictions; such support has historically represented some of the annual program fundings needs. Income from the ReStore sales is unrestricted and used for general expenditures as they are received.

Donated Services. A significant number of volunteers have made significant contributions of their time to the programs of the Organization. The value of their time has not been reflected in the financial statements.

Functional Allocation of Expenses. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include compensation, which is allocated on the basis of estimates of time and effort. Telephone and internet 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 is allocated 40% to ReStore, 40% program and 20% Management. Utilities, including garbage, and building improvements are allocated 70% ReStore and 30% Management. Accounting costs are allocated 25% to each function.

Income Taxes. The Organization is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code. Contributions to the Organization are deductible by the donor. The Organization is not considered a private foundation within the meaning of Section 501 (a) and qualify for deductible contributions as provided in Section 170 (b) (1) (A) (vi).

Use of Estimates. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect certain 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. Accordingly, actual results could differ from those estimates.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 2: CASH AND CASH EQUIVALENTS

The Organization maintains cash balances at financial institutions in Cheboygan County. In the case of deposits, this is the risk that in the event of a bank failure, the Organization's deposits may not be recoverable. As of June 30, 2022, \$0 of the Organizations bank balance of \$123,554 was exposed to custodial credit risk because of being uninsured and uncollateralized.

Cash and Cash equivalents are stated at cost, which approximates market value and consists of:

	Without Donor Restriction	With Donor Restriction	Total
Checking	\$ 124,094	\$ -	\$ 124,094

NOTE 3: LIQUIDITY AND AVAILABILITY

The Organization manages its cash available to meet general expenditures following three guiding principles:

1. Operating within a prudent range of financial soundness and stability,
2. Maintaining adequate liquid assets, and
3. Maintaining sufficient reserves to provide reasonable assurance that long-term grant commitments and obligations with donor restrictions that support mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The table below presents financial assets available for general expenditures within one year.

<u>Financial Assets and Year – End</u>	<u>June 30, 2022</u>
Cash and Cash Equivalents	\$ 124,094
Prepaid Expenses	3,424
Current Portion of Mortgage & Home Repair Receivable	25,189
Net Working Capital	<u>152,707</u>
Less: Amount with Donor Restrictions	-
Financial Assets Available to Meet Cash Needs	<u>\$ 152,707</u>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 4: 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 at face value.

At June 30, 2022, mortgages receivable was held on six homes as two were financed elsewhere. There were no home sales for the year ended June 30, 2022. The following is a summary of mortgage transactions:

Balance as of July 1, 2021	\$	157,275
New Mortgages		0
Payments		(18,937)
Balance as of June 30, 2022	\$	138,338

NOTE 5: HOME AND LOT INVENTORY

During the year ended June 30, 2022, no new lots were obtained and one lot was sold by Habitat for Humanity. At year end, the Organization maintained four lots.

Properties and values are as follows:

Nunda Township – 1 lot		\$9,400
James Street		8,000
Stempky Street		30,000
Will Street – Indian River		11,911
Total Home and Lot Inventory		\$59,311

NOTE 6: PPP LOAN

The Organization applied for and received a second “Paycheck Protection Program” loan from its local bank through the Small Business Administration (SBA). The amount received in 2021 was \$32,322. In the current year, the loan was forgiven in the amount of \$32,332 and is included in this year’s Statement of Activities as “other income”.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 7: PROPERTY AND EQUIPMENT

The capital asset activity of the Organization is as follows:

	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2022</u>
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Building & Improvements	325,568	3,937	-	329,505
Machinery & Equipment	58,047	1,771	-	59,818
	<u>408,615</u>	<u>5,708</u>	<u>-</u>	<u>414,323</u>
Accumulated Depreciation	(162,612)	(13,567)	-	(176,179)
	<u>\$ 246,003</u>	<u>\$ (7,859)</u>	<u>\$ -</u>	<u>\$ 238,144</u>

Depreciation expense for the year ended June 30, 2022 was \$13,567.

NOTE 8: BUILDING MORTGAGE

The Organization had a long-term mortgage at June 30, 2022 on their building. The loan is from Citizens National Bank bearing interest at 4.125%.

	<u>June 30, 2022</u>
Citizens National Bank Loan	\$ 27,528
Less: Current Portion	(20,548)
Long-term Debt, Net Current Portion	<u>\$ 6,980</u>

Scheduled principal maturities of long-term debt for the years succeeding June 30, 2022 are summarized here:

<u>Year</u>	<u>Amount</u>
2023	\$ 20,548
2024	6,980
	<u>\$ 27,528</u>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2022**

NOTE 9: NET ASSETS WITH DONOR RESTRICTIONS

The Organization did not have any net assets with donor restrictions at June 30, 2022.

NOTE 10: 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 send reports to update weekly and monthly.

NOTE 11: STATEMENT OF CASH FLOWS INFORMATION

Cash paid for interest during the twelve months ended June 30, 2022 is \$1,712.

NOTE 12: HOME CONSTRUCTION COSTS

In the year ending June 30, 2022, there was one home under construction and near completion. The property was on Garfield Avenue in Cheboygan. As the home has yet to be completed, the costs associated are included in the Construction in Progress. The Organization is planning to finish and sell the property in FY2023.

NOTE 13: 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 fiscal year ending June 30, 2022.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 11, 2022, the date on which the financial statements were available to be issued.