

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
CHEBOYGAN COUNTY, MICHIGAN
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023

CHEBOYGAN COUNTY HABITAT FOR HUMANITY

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Dan Smith & Company, PC
Certified Public Accountants

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, 2023, 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, 2023, 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

October 20, 2023

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2023**

	2023
ASSETS	
Current assets	
Cash	\$ 48,368
Accounts receivable	1,030
Inventory	43,460
Construction in Progress	158,020
Prepaid expenses	15,111
Total Current assets	265,989
Property, plant and equipment	
Fixed assets	414,323
Accumulated depreciation	(189,921)
Total Property, plant and equipment	224,402
Other assets	
Mortgages Receivable (Note 4)	120,911
Home & Lot Inventory (Note 5)	111,726
Home Repair Receivable	38,707
Land Contract Receivable	3,425
Total Other assets	274,769
Total Assets	\$ 765,160
LIABILITIES AND NET ASSETS:	
Current liabilities	
Accounts payable	\$ 10,141
Accrued liabilities	4,946
Accrued Wages	3,961
ReStore Building Mortgage	6,955
Line of Credit	132,000
Total Current liabilities	158,003
NET ASSETS:	
Without Donor Restrictions	607,157
With Donor Restrictions	-
TOTAL NET ASSETS	607,157
TOTAL LIABILITIES AND NET ASSETS	\$ 765,160

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023**

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT & REVENUES:			
SUPPORT:			
Contributions	\$ 242,236	\$ -	\$ 242,236
Grants	-	106,885	106,885
TOTAL SUPPORT	242,236	106,885	349,121
REVENUE:			
Fundraisers	26,572	-	26,572
Home Sales/Program	162,349	-	162,349
ReStore Revenue	168,235	-	168,235
Miscellaneous	3,933	-	3,933
Net assets released from restrictions	106,885	(106,885)	-
TOTAL REVENUE	467,974	(106,885)	361,089
TOTAL SUPPORT & REVENUE	710,210	-	710,210
EXPENSES:			
ReStore	208,231	-	208,231
Program Services	457,476	-	457,476
Management & General	88,600	-	88,600
Fundraising	46,180	-	46,180
TOTAL EXPENSES	800,487	-	800,487
(LOSS) FROM OPERATIONS	(90,277)	-	(90,277)
Loss on Land Contract Sale	(3,000)	-	(3,000)
Investment Gain	293	-	293
CHANGE IN NET ASSETS	(92,984)	-	(92,984)
NET ASSETS - July 1, 2022	700,141	-	700,141
NET ASSETS - JUNE 30, 2023	\$ 607,157	\$ -	\$ 607,157

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023**

	<u>ReStore</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll Expenses	\$ 118,648	\$ 80,315	\$ 43,876	\$ 19,911	\$ 262,750
Construction Costs	-	254,371	-	-	254,371
Comm. Found. Contribution	-	100,000	-	-	100,000
Office and Supplies	6,342	3,122	9,089	1,595	20,148
Insurance	7,794	7,998	3,897	-	19,689
ReStore Expenses	18,661	-	-	-	18,661
Advertising	6,020	3,642	3,314	1,941	14,917
Vehicle	14,217	40	102	-	14,359
Depreciation	9,594	-	4,147	-	13,741
Special Event	-	-	-	11,479	11,479
Travel	2,700	1,403	3,768	-	7,871
Accounting Fees	1,714	1,714	612	1,714	5,754
Contract Services	4,284	-	3,200	-	7,484
Utilities	4,848	-	2,485	-	7,333
Telephone/Internet	2,069	158	3,228	1,444	6,899
Supplies	3,827	-	1,701	82	5,610
Printing	938	-	992	3,660	5,590
Repairs and Maintenance	3,008	-	1,289	-	4,297
Trash and Recycle	2,624	49	793	-	3,466
Contingency	-	-	-	3,132	3,132
Postage and Shipping	84	107	873	1,222	2,286
Tithe	-	1,500	-	-	1,500
Interest	509	-	620	-	1,129
Dues and Subscriptions	175	175	550	-	900
Miscellaneous	175	2,882	4,064	-	7,121
Total Expenses	<u>\$ 208,231</u>	<u>\$ 457,476</u>	<u>\$ 88,600</u>	<u>\$ 46,180</u>	<u>\$ 800,487</u>

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2023**

	2023
CASH FLOWS FROM OPERATING ACTIVITIES:	
Change in Net Assets	\$ (92,984)
Adjustments for Non-Cash Expense:	
Depreciation	13,741
Changes in Operating Assets and Liabilities:	
Decrease in Accounts Receivable	10,270
Decrease in Mortgages Receivable	17,427
(Increase) in Home Repair Receivable	(1,931)
(Increase) in Construction in Progress	(56,885)
Decrease in Inventory	2,644
Increase in Home & Lot Inventory	(52,415)
Increase in Land Contract Receivable	(3,425)
(Increase) in Prepaid Expenses	(11,687)
(Decrease) in Accounts Payable	(661)
(Decrease) in Accrued Expenses	(2,747)
(Decrease) in Deferred Grant Income	(8,500)
Net cash provided by (used in) operating activities	(187,153)
CASH FLOWS FROM INVESTING ACTIVITIES:	
New Equipment Purchases	-
Net cash (used) in investing activities	-
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of Long-Term Debt	(20,573)
Proceeds from Line of Credit	(132,000)
Net cash provided by (used in) financing activities	111,427
Net (decrease) in cash and cash equivalents	(75,726)
Beginning Cash, cash equivalents and restricted cash	124,094
Ending Cash, cash equivalents and restricted cash	\$ 48,368

See accompanying notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023**

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 30% costs to ReStore and 50% to Management and 20% to Fundraising. 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, 2023**

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, 2023, \$0 of the Organizations bank balance of \$44,579 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	\$ 48,368	\$ -	\$ 48,368

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, 2023</u>
Cash and Cash Equivalents	\$ 48,368
Accounts receivable	1,030
Prepaid Expenses	15,111
Current Portion of Mortgage & Home Repair Receivable	28,676
Net Working Capital	93,185
Less: Amount with Donor Restrictions	-
Financial Assets Available to Meet Cash Needs	\$ 93,185

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

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, 2023, mortgages receivable was held on six homes. The following is a summary of mortgage transactions:

Balance as of July 1, 2022	\$ 138,338
New Mortgages	0
Payments	(17,427)
Balance as of June 30, 2023	<u>\$ 120,911</u>

NOTE 5: HOME AND LOT INVENTORY

During the year ended June 30, 2023, four new lots were obtained and one lot was sold on land contract by Habitat for Humanity. At year end, the Organization maintained seven lots.

Properties and values are as follows:

Nunda Township – 1 lot	\$9,400
Sutherland Property	19,085
Stempky Street	30,000
Will Drive – Lot 13	15,725
Will Drive – Lot 14	14,325
Casey Drive	11,125
Will Drive	12,036
Total Home and Lot Inventory	<u>\$111,726</u>

NOTE 6: LAND CONTRACT RECEIVABLE

As mentioned above, a lot owned by Habitat for Humanity was sold on land contract. This James Street Lot was purchased by Habitat for \$8,000 and sold for \$5,000, taking a \$3,000 loss. The land contract agreement was for \$1,500 down payment and \$25/week thereafter. The total \$5,000 will be paid off during fiscal year 2026.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 7: PROPERTY AND EQUIPMENT

The capital asset activity of the Organization is as follows:

	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Building & Improvements	329,505	-	-	329,505
Machinery & Equipment	59,818	-	-	59,818
	<u>414,323</u>	<u>-</u>	<u>-</u>	<u>414,323</u>
Accumulated Depreciation	(176,180)	(13,741)	-	(189,921)
	<u>\$ 238,143</u>	<u>\$ (13,741)</u>	<u>\$ -</u>	<u>\$ 224,402</u>

Depreciation expense for the year ended June 30, 2023 was \$13,741.

NOTE 8: BUILDING MORTGAGE

The Organization had a long-term mortgage at June 30, 2023 on their building. The loan is from Citizens National Bank bearing interest at 4.125%.

	<u>June 30, 2023</u>
Citizens National Bank Loan	\$ 6,955
Less: Current Portion	<u>(6,955)</u>
Long-term Debt, Net Current Poriton	<u>\$ -</u>

Scheduled principal maturities of long-term debt for the years succeeding June 30, 2023 are summarized here:

<u>Year</u>	<u>Amount</u>
2024	<u>6,955</u>
	<u>\$ 6,955</u>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 9: LINE OF CREDIT

In fiscal year 2023, the Organization received \$132,000 as the first payment on their overall \$400,000 line of credit from the individual who donated the land (Will Drive) in Indian River, Michigan. CCHFH has an agreement with this individual, that once the homes are sold on this property, the line of credit will be paid off. The Organization anticipates selling two homes (Will Drive Lot 13 and 14) in fiscal year 2024 in order to pay off this line of credit.

NOTE 10: NET ASSETS WITH DONOR RESTRICTIONS

The Organization did not have any net assets with donor restrictions at June 30, 2023.

NOTE 11: 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 12: STATEMENT OF CASH FLOWS INFORMATION

Cash paid for interest during the twelve months ended June 30, 2023 is \$1,129.

NOTE 13: HOME CONSTRUCTION COSTS

In the year ending June 30, 2023, there were two new builds on Will Drive in Indian River under construction. As these homes have yet to be completed, the costs associated are included in the Construction in Progress. The Organization is planning to finish and sell the properties in FY2024.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2023**

NOTE 14: TRANSFERS TO HOMEOWNERS

Transfers to homeowners are recorded at the gross mortgage amount less a down payment received. There was one home sold on February 17, 2023 for \$140,000.

NOTE 15: COMMUNITY FOUNDATION FUND

During the fiscal year, the Organization received \$100,000 as a beneficiary of the Martin and Patricia Jahn Foundation. This gift was invested in a "Homeownership Fund" with the Community Foundation for Northeast Michigan, a nonprofit organization whose mission is to fulfill the charitable goals of donors and address the current and future needs of their communities. Of the \$100,000 donated to the Foundation, \$90,000 is considered a spendable balance as of June 30, 2023 – however, it is management's intent to spend up to 5% of earnings if active homeownership projects are under construction. The total year-end value of the Homeownership Fund at June 30, 2023 was \$102,311.

NOTE 16: SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 20, 2023, the date on which the financial statements were available to be issued.