

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

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2018**

# **CHEBOYGAN COUNTY HABITAT FOR HUMANITY**

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MEMBER

MICHIGAN ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Cheboygan County Habitat for Humanity  
Cheboygan, Michigan 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, 2018, 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.

**Opinion**

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, 2018, 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.



*Certified Public Accountants*

January 09, 2019

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018**

**ASSETS:**

Cash and Cash Equivalents (Note B)	\$ 123,747
Inventory	97,724
Prepaid Insurance	<u>2,145</u>
Total Current Assets	223,616
Mortgages Receivable (Note C)	348,886
Home & Lot Inventory (Note D)	71,080
Property and Equipment (Note E)	<u>229,317</u>
<b>TOTAL ASSETS</b>	<b><u>\$872,899</u></b>

**LIABILITIES AND NET ASSETS:**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 3,171
Accrued Liabilities	2,113
Accrued Wages	4,819
Current Portion Long-Term Debt	<u>16,464</u>
<b>TOTAL CURRENT LIABILITIES</b>	<b><u>26,567</u></b>

Long-Term Debt (Note F)	108,335
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<b>TOTAL LIABILITIES</b>	<b><u>134,902</u></b>
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**NET ASSETS:**

Unrestricted:	
Undesignated	<u>737,997</u>
Restricted:	
Temporarily Restricted	<u>0</u>
<b>TOTAL NET ASSETS</b>	<b><u>737,997</u></b>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$872,899</u></b>
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See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF ACTIVITIES  
FOR THE TWELVE MONTHS ENDING JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>SUPPORT &amp; REVENUE:</b>			
<b>SUPPORT:</b>			
Contributions	\$ 8,067	\$ 12,780	\$ 20,847
Grants	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL SUPPORT</b>	<u>8,067</u>	<u>12,780</u>	<u>20,847</u>
<b>REVENUE:</b>			
Fundraisers	40,462	3,900	44,362
Home Sales	0	0	0
Restore	150,716	0	150,716
Gifted Equity	13,767		13,767
Miscellaneous	692		692
Net assets released from restriction	<u>16,680</u>	<u>(16,680)</u>	<u>0</u>
<b>TOTAL REVENUE</b>	<u>222,317</u>	<u>0</u>	<u>209,537</u>
<b>TOTAL SUPPORT AND             REVENUE</b>	<u>230,384</u>	<u>0</u>	<u>230,384</u>
<b>EXPENSES:</b>			
Program Services	5,321		5,321
General and Administrative	60,122	0	60,122
Fundraising	6,090		6,090
Restore	<u>157,342</u>		<u>157,342</u>
<b>TOTAL EXPENSES</b>	<u>228,875</u>	<u>0</u>	<u>228,875</u>
<b>CHANGE IN NET ASSETS</b>	1,509	0	1,509
<b>NET ASSETS - JUNE 30, 2017</b>	<u>736,488</u>	<u>0</u>	<u>736,488</u>
<b>NET ASSETS - JUNE 30, 2018</b>	<u>\$737,997</u>	<u>\$ 0</u>	<u>\$ 737,997</u>

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Re-Store</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll expenses	\$102,103	\$	\$37,772	\$ -	\$139,875
Accounting fees	322		1,822	-	2,144
Office and Supplies	3,778		9,554	1,441	14,773
Telephone	383		2,167	-	2,550
Postage and shipping	-		567	50	617
Utilities	9,922			-	9,922
Travel	-		2,252	-	2,252
Depreciation	9,399	298	657	-	10,354
Advertising	899		-	-	899
Insurance	8,272	1,513	1,124	-	10,909
Special Event expense	-		-	4,599	4,599
Tithe	-		4,207	-	4,207
Cost of homes Sold	-		-	-	-
Re-Store expenses	4,164		-	-	4,164
Interest	5,537		-	-	5,537
Program Expense	12,563	3,510	-	-	16,073
Miscellaneous	-			-	-
<b>Total Expenses</b>	<b><u>\$157,342</u></b>	<b><u>\$5,321</u></b>	<b><u>\$60,122</u></b>	<b><u>\$6,090</u></b>	<b><u>\$228,875</u></b>

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF CASH FLOWS  
FOR THE TWELVE MONTHS ENDING JUNE 30, 2018**

<b>CASH FLOWS FROM ACTIVITIES:</b>	
Change in Net Assets	\$ 1,509
Adjustments for Non-Cash Expense:	
Depreciation	10,354
 <b>(INCREASE) DECREASE IN OPERATING ASSETS:</b>	
Mortgages Receivable	85,669
Inventory	(39,178)
Prepaid Insurance	22
 <b>INCREASE (DECREASE) IN LIABILITIES:</b>	
Accounts Payable	434
Accrued Expenses	<u>282</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>59,092</u>
 <b>CASH FLOWS FROM INVESTING:</b>	
 NET CASH USED BY INVESTING ACTIVITIES	 <u>0</u>
 <b>CASH FLOWS FROM FINANCING:</b>	
Repayment of Long-Term Debt	<u>(15,746)</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(15,746)</u>
 NET INCREASE IN CASH	 43,346
 CASH BALANCE — JUNE 30, 2017	 <u>80,401</u>
 CASH BALANCE — JUNE 30, 2018	 <u>\$123,747</u>

See notes to the financial statements.



**CHEBOYGAN COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Organization and Purpose

Cheboygan County Habitat for Humanity (HFH) was formed in January 1995. 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, HFH 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.

Temporarily Restricted Cash

Requires that insurance and property taxes be escrowed on homes they sell. In the past HFH serviced the restricted cash amounts received for insurance and property taxes on such homes but are now maintained by the Habitat for Humanity Michigan Fund. See note E.

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 non-interest 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**  
**JUNE 30, 2018**

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Contributions

Unconditional promises to give are recognized as revenue when the underlying promises are received by HFH. 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.

Donated Services

A substantial number of volunteers have made significant contributions of their time to HFH'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.

Income Taxes

HFH 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.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2018**

**NOTE B – CASH**

Cash at June 30, 2018 is summarized as follows:

Citizens National Bank — General Checking	\$123,597
Petty Cash	<u>150</u>
	<u>\$123,747</u>

HFH had no mutual funds at year end.

**NOTE C - 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, 2018, mortgages receivable were held on ten (10) homes. During the year ended June 30, 2018, Habitat had no home sales, two (2) mortgages were closed out through normal payments, and two (2) mortgage holders paid off their balances early.

The following is a summary of mortgage transactions:

Balance as of July 1, 2017	\$434,555
New mortgages	0
Payments	<u>(85,669)</u>
Balance as of June 30, 2018	<u>\$348,886</u>

**NOTE D – HOME & LOT INVENTORY**

During the year ended June 30, 2018, no new lots were obtained by Habitat for Humanity. The lot on C Street is presented in construction in progress along with a building and other costs.

Habitat for Humanity at year-end maintained eight (8) lots and two storage units.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2018**

**NOTE D – HOME & LOT INVENTORY (Continued)**

Properties and values are as follows:

Nunda Township	3 Lots	\$ 9,400
Bonter Court – Cheboygan		5,800
James Street		8,000
Stempky Street		30,000
Storage Units (2)		6,880
Will Street, Indian River		11,000
Total Home and Lot Inventory		<u>\$71,080</u>

**NOTE E – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2018 is summarized below:

Building	\$293,025
Machinery and Equipment	48,459
Land	<u>25,000</u>
Total	\$366,484
Less Accumulated Depreciation	<u>(137,167)</u>
Property and Equipment — Net	<u>\$229,317</u>

**NOTE F – LONG-TERM DEBT**

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

	<b>2018</b>
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 April 5, 2018.	<u>\$124,799</u>
Total long-term debt	\$124,799
Less current portion	<u>(16,464)</u>
<b>Long-term debt, net of current portion</b>	<b><u>\$108,335</u></b>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2018**

**NOTE F – LONG-TERM DEBT (Continued)**

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:

2019	\$ 16,464
2020	17,156
2021	17,877
2022	18,628
2023	19,408
Thereafter	<u>35,266</u>
<b>Total</b>	<b><u>\$124,799</u></b>

**NOTE G – TEMPORARILY RESTRICTED ASSETS**

In compliance with Michigan Public Act 173 HFH now uses the Habitat for Humanity Michigan Fund (HFHMF) to service its mortgages on the homes it sells as well as maintaining and managing the escrow accounts used for insurance and property taxes on the homes. A report is sent monthly to Cheboygan’s HFH for activity on the mortgage accounts as well as payment to HFH on the mortgage collections.

**NOTE H - STATEMENT OF CASH FLOWS INFORMATION**

Cash paid for interest during the twelve months ended June 30, 2018 is \$5,537.

**NOTE I - 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, 2018.

**NOTE J - HOME CONSTRUCTION COSTS**

There was one home under construction and completed during the year ended June 30, 2018. It was on the property donated on 229 S. C Street in Cheboygan. It is a home renovation from a home donated and moved on site from Foote Road in Cheboygan. The home is reported at a value of \$53,159 and was sold subsequent to year end (see Note K).

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2018**

**NOTE K – SUBSEQUENT EVENTS**

There were two mortgages that were paid off early after year end, but prior to the issuance of this report. One mortgage in July, which generated a \$40,792 increase to cash with the payoff of the mortgage, as well as an additional \$7,167 in gifted equity. In September there was an \$11,331 payoff of a mortgage with an additional \$6,600 in gifted equity.

The C Street home was sold in October for \$58,800. Also, in October, an additional \$25,000 was paid down on the Citizens National Bank Note.