

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

**AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY**

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Gregory J. Elliott, CPA, CFP

## 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, 2019, 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, 2019, 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*

October 31, 2019

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2019**

**ASSETS:**

Cash and Cash Equivalents (Note B)	\$ 122,831
Inventory	41,112
Prepaid Insurance	<u>2,187</u>
<b>Total Current Assets</b>	<b>166,130</b>
Mortgages Receivable (Note D)	324,104
Home & Lot Inventory (Note E)	64,902
Property and Equipment (Note F)	<u>225,401</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 780,537</u></b>

**LIABILITIES AND NET ASSETS:**

**CURRENT LIABILITIES:**

Accounts Payable	\$ 1,070
Accrued Liabilities	1,717
Accrued Wages	5,507
Current Portion Long-Term Debt	<u>18,227</u>

**TOTAL CURRENT LIABILITIES** 26,521

Long-Term Debt (Note G) 64,510

**TOTAL LIABILITIES** 91,031

**NET ASSETS:**

Without Donor Restrictions	689,506
With Donor Restrictions	<u>          </u>

**TOTAL NET ASSETS** 689,506

**TOTAL LIABILITIES AND NET ASSETS** **\$ 780,537**

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF ACTIVITIES  
FOR THE TWELVE MONTHS ENDING JUNE 30, 2019**

	<u>2019</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>SUPPORT &amp; REVENUE:</b>			
<b>SUPPORT:</b>			
Contributions	\$ 24,361	\$ 0	\$ 24,361
Grants	<u>0</u>	<u>0</u>	<u>0</u>
<b>TOTAL SUPPORT</b>	<u>24,361</u>	<u>0</u>	<u>24,361</u>
<b>REVENUE:</b>			
Fundraisers	7,987	970	8,957
Home Sales	58,800	0	58,800
ReStore	156,225	0	156,225
Gain on Sale of Lots	2,478		2,478
Miscellaneous	1,099		1,099
Net assets released from restriction	<u>970</u>	<u>(970)</u>	<u>0</u>
<b>TOTAL REVENUE</b>	<u>227,559</u>	<u>0</u>	<u>227,559</u>
<b>TOTAL SUPPORT AND REVENUE</b>	<u>251,920</u>	<u>0</u>	<u>251,920</u>
<b>EXPENSES:</b>			
ReStore	163,731		163,731
Program Services	61,832		61,832
General and Administrative	70,360	0	70,360
Fundraising	<u>4,488</u>		<u>4,488</u>
<b>TOTAL EXPENSES</b>	300,411	0	300,411
<b>CHANGE IN NET ASSETS</b>	(48,491)	0	(48,491)
<b>NET ASSETS - JUNE 30, 2018</b>	<u>737,997</u>	<u>0</u>	<u>737,997</u>
<b>NET ASSETS - JUNE 30, 2019</b>	<u>\$689,506</u>	<u>\$ 0</u>	<u>\$689,506</u>

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR-ENDED JUNE 30, 2019**

	<u>ReStore</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll expenses	\$106,233	\$	\$46,179	\$ -	\$152,412
Accounting fees	400		2,265	-	2,665
Office and Supplies	3,228	1,654	5,464	1,216	11,562
Repairs and Maintenance	3,234		10		3,244
Telephone/Internet	557		3,156	-	3,713
Postage and Shipping	-		363	1,351	1,714
Utilities	8,276		120	-	8,396
Contract Services	760		2,511		3,271
Travel	69		632	-	701
Depreciation	9,399	298	1,099	-	10,796
Advertising	1,213		103	-	1,316
Insurance	5,098	1,970	2,851	-	9,919
Special Event expense	-		-	1,921	1,921
Tithe	-		3,749	-	3,749
Cost of homes Sold	-	57,813	-	-	57,813
ReStore expenses	3,121		-	-	3,121
Interest	4,274		-	-	4,274
Program Expense	17,288	-	-	-	17,288
Miscellaneous	581	97	1,858	-	2,536
<b>Total Expenses</b>	<b>\$163,731</b>	<b>\$61,832</b>	<b>\$70,360</b>	<b>\$4,488</b>	<b>\$300,411</b>

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
STATEMENT OF CASH FLOWS  
FOR THE TWELVE MONTHS ENDING JUNE 30, 2019**

<b>CASH FLOWS FROM ACTIVITIES:</b>	
Change in Net Assets	\$(48,491)
Adjustments for Non-Cash Expense:	
Depreciation	10,796
<b>(INCREASE) DECREASE IN OPERATING ASSETS:</b>	
Mortgages Receivable	24,782
Inventory	55,910
Prepaid Insurance	(42)
<b>INCREASE (DECREASE) IN LIABILITIES:</b>	
Accounts Payable	(2,101)
Accrued Expenses	<u>292</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>41,146</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>(42,062)</u>
NET CASH USED BY FINANCING ACTIVITIES	<u>(42,062)</u>
Net Increase in Cash, cash equivalents and restricted cash	(916)
Beginning Cash, cash equivalents and restricted cash	<u>123,747</u>
Ending Cash, cash equivalents and restricted cash	<u>\$122,831</u>

See notes to the financial statements.



**CHEBOYGAN COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

Organization and Purpose

Cheboygan County Habitat for Humanity (HFH) 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, 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.

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 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.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2019**

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

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.

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 accounting costs are allocated based on 15% costs to ReStore and 85% to Management. Worker's Compensation expense is allocated 50% to both ReStore and General. Truck Insurance is allocated to the ReStore. General insurance is allocated 40% both to ReStore and Programs, 20% to General insurance.

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) (1) (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**

Cash at June 30, 2019 is summarized as follows:

Citizens National Bank — General Checking	\$122,481
Petty Cash	<u>350</u>
	<u>\$122,831</u>

HFH had no mutual funds at year-end.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE C - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

HFH has \$153,299 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 \$122,831, prepaid expenses of \$2,187, and current portion of mortgages receivable of \$28,281. Cheboygan HFH has average monthly expenses of \$20,448 and has available financial assets on hand at year-end to cover 7.5 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, 2019, mortgages receivable was held on ten (10) homes. During the year-ended June 30, 2019, Habitat had one home sale, but it was not financed.

The following is a summary of mortgage transactions:

Balance as of July 1, 2018	\$348,886
New mortgages	0
Payments	<u>(24,782)</u>
Balance as of June 30, 2019	<u>\$324,104</u>

**NOTE E- HOME AND LOT INVENTORY**

During the year-ended June 30, 2019, 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 five (5) lots. During the year-ended June 30, 2019, three (3) lots were sold. The storage units that remained were moved to fixed assets to be used for storage.

Properties and values are as follows:

Nunda Township	1 Lot	\$ 9,400
Bonter Court – Cheboygan		6,163
James Street		8,000
Stempky Street		30,000
Will Street, Indian River		<u>11,339</u>
Total Home and Lot Inventory		<u>\$64,902</u>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE F – PROPERTY AND EQUIPMENT**

Property and equipment at June 30, 2019 is summarized below:

Building	\$ 293,025
Machinery and Equipment	55,339
Land	<u>25,000</u>
Total	\$ 373,364
Less Accumulated Depreciation	<u>(147,963)</u>
Property and Equipment — Net	<u>\$ 225,401</u>

**NOTE G – LONG-TERM DEBT**

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

	<b>2019</b>
Mortgage payable to Citizens National Bank due in monthly installments of \$1,775.00 including interest at 4.125%. Habitat elected in November 2018 to make an extra payment of \$25,000 on this loan. The mortgage is secured by the ReStore building. Maturity date currently is October 5, 2023.	<u>\$ 82,737</u>
Total long-term debt	\$ 82,737
Less current portion	<u>(18,227)</u>
<b>Long-term debt, net of current portion</b>	<u><b>\$ 64,510</b></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:

2020	\$ 18,227
2021	18,993
2022	19,792
2023	20,624
2024	<u>5,101</u>
<b>Total</b>	<u><b>\$ 82,737</b></u>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2019**

**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, 2019 is \$4,274.

**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 was one (1) home sale in the fiscal year-ending June 30, 2019.

**NOTE K - HOME CONSTRUCTION COSTS**

There was one (1) home under construction and completed during the year-ended June 30, 2019. 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). As of year-end June 30, 2019, there were no home construction costs after the sale of the home on 229 S. C Street in Cheboygan.

**NOTE L – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 31, 2019; the date which the financial statements were available to be issued.