

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

**AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

CHEBOYGAN COUNTY HABITAT FOR HUMANITY

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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, 2017, 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, 2017, 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 13, 2018

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017**

ASSETS:

Cash and Cash Equivalents (Note B)	\$ 80,401
Inventory	58,546
Prepaid Insurance	<u>2,167</u>
Total Current Assets	141,114
Mortgages Receivable (Note C)	434,555
Home & Lot Inventory (Note D)	71,080
Property and Equipment (Note E)	<u>239,671</u>
TOTAL ASSETS	<u>\$886,420</u>

LIABILITIES AND NET ASSETS:

CURRENT LIABILITIES:

Accounts Payable	\$ 2,737
Accrued Liabilities	1,831
Accrued Wages	4,819
Current Portion Long-Term Debt	<u>15,799</u>
TOTAL CURRENT LIABILITIES	<u>25,186</u>
Long-Term Debt (Note F)	124,746
TOTAL LIABILITIES	<u>149,932</u>

NET ASSETS:

Unrestricted:	
Undesignated	<u>736,488</u>
Restricted:	
Temporarily Restricted	<u>0</u>
TOTAL NET ASSETS	<u>736,488</u>

TOTAL LIABILITIES AND NET ASSETS	<u>\$886,420</u>
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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, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
SUPPORT & REVENUE:			
SUPPORT:			
Contributions	\$ 26,180	\$ 21,160	\$ 47,340
Grants	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL SUPPORT	<u>26,180</u>	<u>21,160</u>	<u>47,340</u>
REVENUE:			
Fundraisers	14,972		14,972
Home Sales	0	0	0
Restore	155,189	0	155,189
Miscellaneous	864		864
Net assets released from restriction	<u>21,160</u>	<u>(21,160)</u>	<u>0</u>
TOTAL REVENUE	<u>192,185</u>	<u>0</u>	<u>171,025</u>
TOTAL SUPPORT AND REVENUE	<u>218,365</u>	<u>0</u>	<u>218,365</u>
EXPENSES:			
Cost of Houses	1,320		1,320
General and Administrative	67,292	0	67,292
Fundraising	6,010		6,010
Restore	<u>154,421</u>		<u>154,421</u>
TOTAL EXPENSES	229,043	0	229,043
CHANGE IN NET ASSETS	(10,678)	0	(10,678)
NET ASSETS - JUNE 30, 2016	<u>747,166</u>	<u>0</u>	<u>747,166</u>
NET ASSETS - JUNE 30, 2017	<u>\$736,488</u>	<u>\$ 0</u>	<u>\$ 736,488</u>

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Re-Store</u>	<u>Program Services</u>	<u>Management And General</u>	<u>Fundraising</u>	<u>Total</u>
Payroll expenses	\$ 99,971	\$	\$39,215	\$ -	\$139,186
Accounting fees	-		2,825	-	2,825
Office and Supplies	4,048		10,459	245	14,752
Telephone			2,800	-	2,800
Postage and shipping			342	-	342
Utilities	10,254			-	10,254
Travel	260		454	-	714
Depreciation	9,641		800	-	10,441
Advertising	1,032		20	-	1,052
Insurance	6,402		1,601	-	8,003
Special Event expense	-		-	5,765	5,765
Tithe	-		8,776	-	8,776
Cost of homes Sold	-		-	-	-
Re-Store expenses	16,591		-	-	16,591
Interest	6,222		-	-	6,222
Program Expense	-	1,320	-	-	1,320
Miscellaneous	-			-	-
Total Expenses	\$154,421	\$1,320	\$67,292	\$6,010	\$229,043

See notes to the financial statements.

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
STATEMENT OF CASH FLOWS
FOR THE TWELVE MONTHS ENDING JUNE 30, 2017**

CASH FLOWS FROM ACTIVITIES:	
Change in Net Assets	\$ (10,678)
Adjustments for Non-Cash Expense:	
Depreciation	10,441
 (INCREASE) DECREASE IN OPERATING ASSETS:	
Mortgages Receivable	41,109
Inventory	(20,030)
Home and Lot Inventory	(11,000)
Prepaid Insurance	(466)
 INCREASE (DECREASE) IN LIABILITIES:	
Accounts Payable	(288)
Accrued Expenses	<u>799</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>9,887</u>
 CASH FLOWS FROM INVESTING:	
 NET CASH USED BY INVESTING ACTIVITIES	 <u>0</u>
 CASH FLOWS FROM FINANCING:	
Repayment of Long-Term Debt	<u>(15,078)</u>
 NET CASH USED BY FINANCING ACTIVITIES	 <u>(15,078)</u>
 NET DECREASE IN CASH	 (5,191)
 CASH BALANCE — JUNE 30, 2016	 <u>85,592</u>
 CASH BALANCE — JUNE 30, 2017	 <u>\$ 80,401</u>

See notes to the financial statements.

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

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, 2017

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, 2017**

NOTE B – CASH

Cash at June 30, 2017 is summarized as follows:

Citizens National Bank — General Checking	\$80,251
Petty Cash	<u>150</u>
	<u>\$80,401</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, 2017, mortgages receivable were held on fourteen (14) homes. During the year ended June 30, 2017, Habitat had no home sales and initiated no new mortgages (Note H).

The following is a summary of mortgage transactions:

Balance as of July 1, 2016	\$475,664
New mortgages	0
Payments	<u>(41,109)</u>
Balance as of June 30, 2017	<u>\$434,555</u>

NOTE D – HOME & LOT INVENTORY

During the year ended June 30, 2017 there was two (2) new lots donated to 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, 2017**

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, 2017 is summarized below:

Building	\$293,025
Machinery and Equipment	48,459
Land	<u>25,000</u>
Total	\$366,484
Less Accumulated Depreciation	<u>(126,813)</u>
Property and Equipment — Net	<u>\$239,671</u>

NOTE F – LONG-TERM DEBT

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

	2017
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>\$140,545</u>
Total long-term debt	140,545
Less current portion	<u>(15,799)</u>
Long-term debt, net of current portion	<u>\$124,746</u>

**CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2017**

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:

2018	\$ 15,799
2019	16,464
2020	17,156
2021	17,877
2022	18,628
Thereafter	<u>54,621</u>
Total	<u>\$140,545</u>

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, 2017 is \$6,222.

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, 2017.

NOTE J - HOME CONSTRUCTION COSTS

There was one home under construction during the year ended June 30, 2017. 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.

CHEBOYGAN COUNTY HABITAT FOR HUMANITY
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2017

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.