



**BATTLE CREEK AREA HABITAT FOR  
HUMANITY, INC.**

**FINANCIAL STATEMENTS**

**YEARS ENDED JUNE 30, 2020 AND 2019**

*Expertise that Counts*

## Contents

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Battle Creek Area Habitat for Humanity, Inc.  
Battle Creek, MI 49017

We have audited the accompanying financial statements of Battle Creek Area Habitat for Humanity, Inc. (a nonprofit organization) which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 Battle Creek Area Habitat for Humanity, Inc. as of June 30, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Jessup Group, P.C.*

September 21, 2021

*Expertise that Counts*

**BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020 AND 2019**

**ASSETS**

	<u>2020</u>	<u>2019</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 226,429	\$ 200,700
Amounts receivable	10,894	28,071
MBE receivable	33,271	9,738
Inventory and supplies	17,382	13,616
Donated inventory	27,127	23,630
Prepaid	-	3,758
Short term mortgage and land contract receivables, net	<u>90,112</u>	<u>83,987</u>
Total current assets	405,215	363,500
 <b>Land and homes for development</b>	 41,657	 131,573
 <b>Long term mortgage and land contract receivables, net</b>	 649,470	 649,311
 <b>Cash - Board designated for capital expenditures</b>	 27,322	 23,321
 <b>Property and equipment, net</b>	 1,344,278	 1,390,736
 <b>Payroll security deposit</b>	 <u>18,650</u>	 <u>18,650</u>
 <b>Total assets</b>	 <u><u>\$ 2,486,592</u></u>	 <u><u>\$ 2,577,091</u></u>

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Accounts payable	\$ 12,094	\$ 45,338
Accrued wages	32,952	23,141
Escrow deposits and down payments	7,246	6,721
PPP refundable advance	32,321	-
Current portion of long term liabilities	<u>13,345</u>	<u>12,583</u>
Total current liabilities	97,958	87,783
 <b>Long term liabilities</b>		
Mortgage payable	287,763	302,018
Less current portion	<u>(13,345)</u>	<u>(12,583)</u>
Total long term liabilities	<u>274,418</u>	<u>289,435</u>
 Total liabilities	 372,376	 377,218
 <b>Net assets</b>		
Without donor restrictions		
Undesignated	2,079,926	2,123,394
Designated by Board for capital expenditures	<u>27,322</u>	<u>23,321</u>
Total net assets	<u>2,107,248</u>	<u>2,146,715</u>
 With donor restrictions	 <u>6,968</u>	 <u>53,158</u>
Total net assets	<u>2,114,216</u>	<u>2,199,873</u>
 <b>Total liabilities and net assets</b>	 <u><u>\$ 2,486,592</u></u>	 <u><u>\$ 2,577,091</u></u>

See independent auditors' report and notes to financial statements

**BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Contributions and grants			
Contributions	\$ 119,760	\$ -	\$ 119,760
In-kind donations	50,556	-	50,556
Grants	5,884	6,200	12,084
ReStore donated inventory	121,196	-	121,196
Total contributions and grants	<u>297,396</u>	<u>6,200</u>	<u>303,596</u>
Program income			
Amortization of mortgage discounts	92,005	-	92,005
ReStore sales	304,081	-	304,081
Sales of completed homes	253,000	-	253,000
Ramps, home repairs and other income	69,529	-	69,529
Total program income	<u>718,615</u>	<u>-</u>	<u>718,615</u>
Other income			
Payroll protection program funding	54,279	-	54,279
Fundraising and special events	61,656	-	61,656
Interest income	3,307	-	3,307
Loss on asset disposals	-	-	-
Total other income	<u>119,242</u>	<u>-</u>	<u>119,242</u>
Total revenue and support	<u>1,135,253</u>	<u>6,200</u>	<u>1,141,453</u>
<b>Net assets released from restrictions</b>	<u>52,390</u>	<u>(52,390)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	1,187,643	(46,190)	1,141,453
<b>Expenses</b>			
Program services	1,009,271	-	1,009,271
Support services	217,839	-	217,839
Total expenses	<u>1,227,110</u>	<u>-</u>	<u>1,227,110</u>
Change in net assets	(39,467)	(46,190)	(85,657)
Net assets, beginning of year	<u>2,146,715</u>	<u>53,158</u>	<u>2,199,873</u>
<b>Net assets, end of year</b>	<u>\$ 2,107,248</u>	<u>\$ 6,968</u>	<u>\$ 2,114,216</u>

See independent auditors' report and notes to financial statements

**BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenue and support</b>			
Contributions and grants			
Contributions	\$ 174,039	\$ -	\$ 174,039
In-kind donations	50,556	-	50,556
Grants	(4,824)	52,000	47,176
ReStore donated inventory	121,196		121,196
Total contributions and grants	<u>340,967</u>	<u>52,000</u>	<u>392,967</u>
Program income			
Amortization of mortgage discounts	92,005	-	92,005
ReStore sales	304,081	-	304,081
Sales of completed homes	253,000	-	253,000
Ramps, home repairs and other income	69,522	-	69,522
Total program income	<u>718,617</u>	<u>-</u>	<u>718,617</u>
Other income			
Fundraising and special events	61,656	-	61,656
Interest income	3,307	-	3,307
Loss on asset disposals	-	-	-
Total other income	<u>64,963</u>	<u>-</u>	<u>64,963</u>
Total revenue and support	<u>1,124,547</u>	<u>52,000</u>	<u>1,176,547</u>
<b>Net assets released from restrictions</b>	<u>63,098</u>	<u>(63,098)</u>	<u>-</u>
Total revenue, support, and net assets released from restrictions	<u>1,187,645</u>	<u>(11,098)</u>	<u>1,176,547</u>
<b>Expenses</b>			
Program services	1,009,271	-	1,009,271
Support services	217,842	-	217,842
Total expenses	<u>1,227,113</u>	<u>-</u>	<u>1,227,113</u>
Change in net assets	(39,468)	(11,098)	(50,566)
Net assets, beginning of year	<u>2,202,894</u>	<u>64,256</u>	<u>2,267,150</u>
<b>Net assets, end of year</b>	<u>\$ 2,163,426</u>	<u>\$ 53,158</u>	<u>\$ 2,216,584</u>

See independent auditors' report and notes to financial statements

**BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2020**

	<u>Program Services</u>			<u>Support Services</u>			<u>Total Expenses</u>
	<u>Discount on Mortgage Originations</u>	<u>Construction and Rehabilitation</u>	<u>ReStore</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	
<b>Staff related</b>							
Wage related, taxes and benefits	\$ -	\$ 146,100	\$ 137,540	\$ 283,640	\$ 108,225	\$ 793	\$ 392,658
Conferences and training	-	59	-	59	1,702	86	1,847
<b>Facility related</b>							
Insurance	-	21,443	8,560	30,003	1,011	-	31,014
Repairs and maintenance	-	-	-	-	1,527	-	1,527
Utilities and phone	-	3,412	24,278	27,690	8,132	-	35,822
<b>Program related</b>							
Advertising and promotion	-	2,544	19,301	21,845	107	7,313	29,265
Contract and professional fees	-	-	-	-	34,095	-	34,095
Cost of sales	-	260,599	51,493	312,092	-	-	312,092
Cost of sales of donated inventory	-	-	117,699	117,699	-	-	117,699
Depreciation and amortization	-	3,806	32,237	36,043	10,415	-	46,458
Discount on mortgages issued	89,997	-	-	89,997	-	-	89,997
Dues, subscriptions, and fees	-	16,634	-	16,634	4,285	-	20,919
Fund development expense	-	-	-	-	-	6,388	6,388
Mortgage interest	-	-	16,943	16,943	171	-	17,114
Other expenses	-	9,694	434	10,128	8,319	-	18,447
Postage and shipping	-	-	33	33	393	-	426
Repairs and maintenance	-	-	3,950	3,950	-	-	3,950
Supplies and equipment contracts	-	19,434	6,324	25,758	23,293	1,086	50,137
Tithe	-	1,500	-	1,500	-	-	1,500
Transportation	-	5,451	9,806	15,257	398	100	15,755
<b>Total functional expenses</b>	<u>\$ 89,997</u>	<u>\$ 490,676</u>	<u>\$ 428,598</u>	<u>\$1,009,271</u>	<u>\$ 202,073</u>	<u>\$ 15,766</u>	<u>\$ 1,227,110</u>

See independent auditors' report and notes to financial statements

**BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2019**

	<u>Program Services</u>			<u>Support Services</u>			Total Expenses
	Discount on Mortgage Originations	Construction and Rehabilitation	ReStore	Total Program Services	Management and General	Fundraising	
<b>Staff related</b>							
Wage related, taxes and benefits	\$ -	\$ 129,444	\$ 154,996	\$ 284,440	\$ 141,699	\$ 5,099	\$ 431,238
Conferences and training	-	1,380	2,782	4,162	2,423	1,293	7,878
<b>Facility related</b>							
Insurance	-	16,417	12,064	28,481	1,586	-	30,067
Repairs and maintenance	-	-	-	-	4,123	-	4,123
Utilities and phone	-	4,288	26,944	31,232	11,301	-	42,533
<b>Program related</b>							
Advertising and promotion	-	401	8,462	8,863	-	2,907	11,770
Contract and professional fees	-	-	10,595	10,595	11,309	-	21,904
Cost of sales	-	114,779	45,549	160,328	-	-	160,328
Cost of sales of donated inventory	-	-	168,660	168,660	-	-	168,660
Depreciation and amortization	-	3,982	37,530	41,512	13,667	-	55,179
Discount on mortgages issued	-	-	-	-	-	-	-
Dues, subscriptions, and fees	-	16,763	4,103	20,866	4,873	-	25,739
Fund development expense	-	-	-	-	-	6,927	6,927
Mortgage interest	-	-	19,667	19,667	47	-	19,714
Other expenses	-	3,559	798	4,357	6,072	-	10,429
Postage and shipping	-	54	-	54	820	-	874
Repairs and maintenance	-	-	16,755	16,755	-	-	16,755
Supplies and equipment contracts	-	42,395	5,787	48,182	19,173	4,743	72,098
Tithe	-	4,400	-	4,400	-	-	4,400
Transportation	-	6,365	9,767	16,132	1,115	-	17,247
<b>Total functional expenses</b>	<u>\$ -</u>	<u>\$ 344,227</u>	<u>\$ 524,459</u>	<u>\$ 868,686</u>	<u>\$ 218,208</u>	<u>\$ 20,969</u>	<u>\$1,107,863</u>

See independent auditors' report and notes to financial statements



**BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**  
**STATEMENTS OF CASH FLOWS**  
**YEARS ENDED JUNE 30, 2020 AND 2019**

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ (85,657)	\$ (106,568)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Donated inventory	(3,497)	254
Depreciation and amortization	46,458	55,179
Discount on mortgages issued	89,997	-
Amortization of mortgage discounts	(92,005)	(79,223)
Loss on asset disposals	-	1,599
Payroll protection plan	(54,279)	-
Designated cash for capital expenditures	4,001	23,321
Decrease (increase) in:		
Amounts receivable	17,177	11,706
MBE receivable	(23,533)	-
Mortgages and land contract receivables	(4,276)	168,451
Inventory and supplies	(3,766)	5,896
Prepaid	3,758	(3,758)
Land and homes for development	89,916	(38,058)
Increase (decrease) in:		
Accounts payable and accrued expenses	(23,433)	18,640
Escrow deposits	525	1,320
Net cash provided by (used in) operating activities:	(38,614)	58,759
<b>Cash flows from financing activities</b>		
Proceeds from payroll protection plan	86,600	-
Board designation for capital expenditures	(4,001)	(23,321)
Payments on long term debt	(14,255)	(10,726)
Net cash provided by (used in) financing activities:	68,344	(34,047)
Net increase in cash and cash equivalents	29,730	24,712
Cash and cash equivalents, beginning of year	224,021	199,309
<b>Cash and cash equivalents, end of year</b>	<b>\$ 253,751</b>	<b>\$ 224,021</b>
<b>Reconciliation of cash and cash equivalents to the statement of financial position:</b>		
Cash and cash equivalents	\$ 226,429	\$ 200,700
Cash - Board designated for capital expenditures	27,322	23,321
Total cash and cash equivalents	\$ 253,751	\$ 224,021
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid during the year	\$ 17,114	\$ 19,714

# **BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES**

Battle Creek Area Habitat for Humanity, Inc. (the "Organization") is a nonprofit corporation organized in Michigan in 1989 for the purpose of providing safe, decent, affordable housing for low-income families living in sub-standard housing in Calhoun County. The Organization provides and coordinates construction of new homes, renovation of existing homes and owns and operates a ReStore, where homeowners can buy construction materials – new and used – that are donated to the Organization. As part of its mission, the Organization provides minor home repairs and ramps for low income homeowners and salvages many usable materials from homes that are going to be demolished.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

#### **Fair Values**

The Organization estimates that the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded on the statement of financial position.

#### **Cash and Cash Equivalents**

The Organization considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

#### **Amounts Receivable**

Amounts receivable consist primarily of amounts due from third parties for ramp construction and amounts due from individuals from the critical home repair program. The Organization considers amounts receivable to be fully collectible; accordingly, no allowance account has been established. If an amount becomes uncollectible, it will be charged to operations when that determination is made. Collections on amounts previously written off are included in other income as received.

#### **MBE Receivable**

MBE receivable consists of goods and services purchased through a bartering network. The MBE balance can be either an asset or a liability at any given time. An asset indicates that the Organization has received less goods than offered back through the network. A liability indicates that the Organization has received more goods than offered back through the network. The balance has no due date and will be reduced through future goods and services sold or purchased through the bartering network by the Organization. If the Organization discontinues participation in MBE or ceases operations, the Organization would be required to satisfy any liability balance through the transfer or receipt of assets to members of the MBE network.

# **BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Inventory and Supplies**

Substantially all inventory at the ReStore is donated and the Organization records donated inventory based on one half the selling price of the item. The balance of inventory and supplies on the statement of financial position consists of materials purchased to stock the ReStore as well as building materials to be used to rehabilitate homes to be sold. Purchased inventory is valued at the lower of cost or market, with costs being determined on a first-in, first-out basis.

#### **Land and Homes for Development**

Land and homes for development consist of donated property and materials as well as actual purchased materials and other costs incurred in conjunction with home construction. Donated property and materials are recorded at fair market value at the time of the donation. A gain or loss on the sale of the home is recognized when the home is sold.

#### **Property and Equipment**

Property and equipment over \$2,500 are recorded at cost when purchased or at estimated fair value at the date of donation and are depreciated on a straight-line basis over their estimated useful lives, which are 5 - 7 years for equipment and 20 - 40 years for buildings and improvements. Costs of maintenance and repairs are charged to expense when incurred.

#### **Escrow Deposits**

Escrows payable represent funds held on deposit by the Organization from homeowners. The escrow amounts are determined approximately on an annual basis and are deposited monthly by the homeowners and consist of amounts held for property taxes, property insurance, and repairs and maintenance.

#### **Contributions**

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value, and are reported as an increase in net assets. Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and net assets with donor restrictions.

The Organization reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

#### **Donated Services**

A substantial number of volunteers have made significant contributions of their time to the Organization's programs and services. The value of this contributed time is not reflected in the financial statements since it does not require a specialized skill.

# **BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

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### **NOTE A - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

#### **Net Assets**

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net assets with donor restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

#### **Income Taxes**

The Organization is exempt from federal income taxes under Section 501(c)(3). Accordingly, these financial statements do not include a provision for income taxes.

#### **Functional Allocation of Expenses**

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are certain compensation and benefits, which are allocated based on estimates of time and effort.

#### **Risk and Uncertainties**

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.

# BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE B – AVAILABLE RESOURCES AND LIQUIDITY

The table below presents financial assets available for general expenditures within one year at June 30:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 253,751	\$ 224,021
Amounts receivable	10,894	28,071
MBE receivable	33,271	9,738
Short term mortgage and land contract receivables	<u>159,035</u>	<u>155,137</u>
Total financial assets	456,951	416,967
Donor restricted funds	(6,968)	(53,158)
Board designated for capital expenditures	<u>(27,322)</u>	<u>(23,321)</u>
Financial assets not available to meet cash needs for general expenditures within one year	<u>(34,290)</u>	<u>(76,479)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 422,661</u>	<u>\$ 340,488</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition to the availability of cash and cash equivalents to meet general expenditures, the Organization anticipates collecting sufficient revenue to sustain its mission of affordable housing. The Organization must raise contributions designated for home rehabilitation equal to 80% of the budgeted construction costs before work can start on a home.

Short term mortgages and land contract receivables are tracked as part of the annual cash flow process. The revenue from these sources are received monthly as pay back for services or properties on the Organization's properties listing. Refer to the statement of cash flows which identifies the sources and uses of the Organization's cash and positive cash generated by operations for the fiscal year 2020 and 2019.

### NOTE C - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK

Credit risk for long term mortgage and land contract receivable is concentrated because substantially all the balances are receivable from individuals located within the same geographic region.

### NOTE D - MORTGAGE AND LAND CONTRACT RECEIVABLES

Homes sold to eligible families are financed by Battle Creek Area Habitat for Humanity, Inc. through interest-free mortgages granted to the families. Mortgage payments are based on a 6-30 year amortization of the mortgage. In addition, the families sign a 10-year promissory note with penalty restrictions as to sale of the home prior to 10 years of home ownership. Monthly mortgage principle payments range from \$57 to \$452. Because the mortgages and land contracts are secured by the deeds of trust on the respective properties, management believes no allowance for doubtful mortgages is necessary.

## BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE D - MORTGAGE AND LAND CONTRACT RECEIVABLES (CONTINUED)

Furthermore, the Organization outsourced the administration and servicing of its mortgage receivables to Affiliate Mortgage Services Inc. Mortgage discounts are calculated by imputing current value on the interest-free mortgages using the prevailing market rates provided by Habitat for Humanity International for low-income housing at the inception of the mortgage. These rates range from 7% to 8%. Amortization of the discount is reported in the Statement of Activities as amortization of mortgage discounts. Land Contracts include amounts held in exchange for land and homes deemed unsuitable for Habitat homes. These contracts range in length from one to five years and are held at interest rates varying from 0.00% to 6.00%, depending on the eligibility of the purchaser.

Long term mortgage and land contract receivables consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Land contracts	\$ 106,846	\$ 112,390
Gross mortgages receivable	1,184,340	1,174,521
Less unamortized mortgage discounts	<u>(551,604)</u>	<u>(553,613)</u>
Net mortgages receivable	632,736	620,908
Current portion of mortgage and land contract receivables, net	<u>(90,112)</u>	<u>(83,987)</u>
Total long term receivables	<u>\$ 649,470</u>	<u>\$ 649,311</u>

The following is a summary of home building activity for the year ended June 30:

	<u>2020</u>	<u>2019</u>
Homes under construction - beginning	3	3
New homes started during the year	2	2
Homes sold during the year	<u>(3)</u>	<u>(2)</u>
	<u>2</u>	<u>3</u>

#### NOTE E - PROPERTY AND EQUIPMENT

At June 30, 2020 and 2019 the cost of property and equipment is summarized as follows:

	<u>2020</u>	<u>2019</u>
Land	\$ 140,000	\$ 140,000
Buildings and improvements	1,413,797	1,413,797
Equipment	77,251	77,251
Vehicles	<u>28,796</u>	<u>28,796</u>
Total cost	1,659,844	1,659,844
Less accumulated depreciation and amortization	<u>(315,566)</u>	<u>(269,108)</u>
Net property and equipment	<u>\$ 1,344,278</u>	<u>\$ 1,390,736</u>

# BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE F - LINE OF CREDIT

The Organization has a \$100,000 line of credit, secured by all assets and real estate of 595 North Avenue, to a bank bearing interest at 5.25% at June 30, 2020, due on demand. At June 30, 2020 and 2019 the outstanding balance on the line of credit was \$0.

### NOTE G - OPERATING LEASE

The Organization has a 60-month equipment lease that expires December 2023, payments are \$832 per month. Payments under this agreement totaled \$9,985 and \$5,143 for June 30, 2020 and 2019, respectively. Future minimum lease payments are \$9,985 for years ending June 30, 2021-2023 and \$4,993 for year ending June 30, 2024.

### NOTE H - MORTGAGE PAYABLE

Mortgage payable at June 30 is as follows:

	<u>2020</u>	<u>2019</u>
Bank loan, payable in monthly installments of \$2,647, including interest at 6.5%, collateralized by all assets at June 30, 2020 and 2019. Interest on the note balance at June 30, 2020 and 2019 is based on the Daily Adjusted LIBOR rate. A balloon payment of approximately \$246,000 is due December 2023. The mortgage has a capitalized cost of \$500,000. Accumulated depreciation in the statement of financial position included \$55,118 and \$45,245 relating to the mortgage at June 30, 2020 and 2019, respectively. Depreciation expense reported in the statements of activities included \$9,872 for June 30, 2020 and 2019.	\$ 287,763	\$ 302,018
Current portion	(13,345)	(12,583)
Long term mortgage payable	<u>\$ 274,418</u>	<u>\$ 289,435</u>

Maturities of long term debt for the next five years are as follows:

<u>Year ending June 30.</u>	
2022	\$ 14,239
2023	15,192
2024	<u>244,987</u>
Total	<u>\$ 274,418</u>

## BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE I - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	<u>2020</u>	<u>2019</u>
Home rehabilitation costs	\$ -	\$ 52,000
Senior - ramp program	2,918	768
Purchase of tools	-	390
Truck purchase	4,050	-
Total net assets with donor restrictions	<u>\$ 6,968</u>	<u>\$ 53,158</u>

#### NOTE J - RELATED PARTIES

The Organization is an affiliate of Habitat for Humanity International, US office and made payments to them for: tithes, annual stewardship and for purchases of inventory for the ReStore. Total payments were \$9,071 and \$13,191 for the years ending June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019 related accounts payable were \$0. The Organization also received grant funding of \$4,600 and \$3,500 for the years ending June 30, 2020 and 2019, respectively. At June 30, 2020 and 2019 related accounts receivable were \$0.

#### NOTE K - ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) intended to improve financial reporting about leasing transactions. Under the standard, both financing leases and operating leases would create an asset (right-of-use-asset) and a liability, initially measured at the present value of the lease payments, to be reflected on the balance sheet. The standard is effective for not-for-profit organizations for fiscal years beginning after December 15, 2021 and the Organization will implement the new standard in 2022

#### NOTE L - SUBSEQUENT EVENTS

The Organization has evaluated events and transactions for potential recognition or disclosure through September 21, 2021, which is the same date the financial statements were available to be issued.

Subsequent to year end, the Organization listed its administrative building for sale. As of the date of the audited financial statement, the Organization has accepted an offer and the sale of the administrative building is pending. At June 30, 2020 the net book value of the administrative building was \$180,601.



## **BATTLE CREEK AREA HABITAT FOR HUMANITY, INC.**

### **NOTES TO FINANCIAL STATEMENTS**

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#### **NOTE L - SUBSEQUENT EVENTS (CONTINUED)**

The Organization was granted an \$86,600 loan under the Paycheck Protection Program “PPP” administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. PPP Loan proceeds are available to be used to pay for payroll costs, including salaries, commissions, and similar compensation, group health care benefits, and paid leaves; rent; utilities; and interest on certain other outstanding debt. The Organization initially recognized the PPP funding as a refundable advance on the statement of financial position. As the proceeds were used for allowable costs, the funding was reclassified to payroll protection program funding on the statement of activities and changes in net assets. The Organization received notice from the SBA approved partner, that on April 26, 2021, the amount of the loan and accrued interest were fully forgiven.