Haven of Rest Ministries of Battle Creek

Financial Statements

June 30, 2021
(With Summarized Comparative Information for 2020)

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Independent Auditors' Report

Management and the Board of Directors
Haven of Rest Ministries of Battle Creek
Battle Creek, Michigan

Report on the Financial Statements
We have audited the accompanying financial statements of Haven of Rest Ministries of Battle Creek, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, 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.

Auditors' 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 auditors' 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 Haven of Rest Ministries, as of June 30, 2021, 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.

Report on Summarized Comparative Information

We have previously audited the Haven of Rest Ministries of Battle Creek's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 6, 2021. In our opinion, the summarized comparative information presented herein, as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Yeo & Yeo, P.C.

Kalamazoo, Michigan
January 20, 2022

Haven of Rest Ministries of Battle Creek
Statement of Financial Position
June 30, 2021 (With Summarized Comparative Information for 2020)

	2021	2020
Assets		
Current assets		
Cash and cash equivalents	**$ 93,728**	$ 289,128
Investments	**2,628**	2,471
Grants receivable	**463,325**	116,908
Accounts receivable	**24,625**	20,142
Land contracts receivable - current portion	**21,860**	38,160
Total current assets	**606,166**	466,809
Noncurrent assets		
Property and equipment	**4,675,302**	4,531,562
Less: accumulated depreciation	**(2,495,442)**	(2,333,346)
Net property and equipment	**2,179,860**	2,198,216
Land contracts receivable, net of current portion	**13,800**	40,680
Total noncurrent assets	**2,193,660**	2,238,896
Total assets	**$ 2,799,826**	$ 2,705,705

Haven of Rest Ministries of Battle Creek
Statement of Financial Position
June 30, 2021 (With Summarized Comparative Information for 2020)

	2021	2020
Liabilities and net assets		
Current liabilities		
Accounts payable	**$ 17,225**	$ 1,038
Accrued payroll	**88,276**	140,980
Accrued compensated absences	**53,048**	50,417
Accrued payroll taxes	**6,714**	10,785
Line of credit	**55,000**	-
Current portion of note payable	**10,604**	136,464
Total current liabilities	**230,867**	339,684
Noncurrent liabilities		
Note payable – less current portion	**9,176**	215,713
Total liabilities	**240,043**	555,397
Net assets		
Without donor restrictions		
Net investment in property and equipment	**2,179,860**	2,198,216
Undesignated (deficit) surplus	**18,629**	(67,114)
Total without donor restrictions	**2,198,489**	2,131,102
With donor restrictions		
Time restrictions	**100,000**	-
Purpose restrictions	**261,294**	19,206
Total with donor restrictions	**361,294**	19,206
Total net assets	**2,559,783**	2,150,308
Total liabilities and net assets	**$ 2,799,826**	$ 2,705,705

See Accompanying Notes to the Financial Statements

Haven of Rest Ministries of Battle Creek
Statement of Activities
Year Ended June 30, 2021 (With Summarized Comparative Information for 2020)

	Without Donor Restrictions	With Donor Restrictions	**Total 2021**	Total 2020
Revenues and public support				
Contributions	$ 986,012	$ 295,000	**$ 1,281,012**	$ 742,792
Grants	1,163,497	66,294	**1,229,791**	1,102,412
Program fees	16,626	-	**16,626**	18,382
Special events	62,357	-	**62,357**	61,792
Third party billings	63,646	-	**63,646**	56,046
Other revenues	140,933	-	**140,933**	82,114
Total revenues and public support	2,433,071	361,294	**2,794,365**	2,063,538
Expenses				
Program services	1,959,963	-	**1,959,963**	1,892,629
Management and general	372,920	-	**372,920**	335,179
Fundraising	52,007	-	**52,007**	60,208
Total expenses	2,384,890	-	**2,384,890**	2,288,016
Change in net assets	48,181	361,294	**409,475**	(224,478)
Net assets – beginning of year	2,150,308	-	**2,150,308**	2,374,786
Net assets – end of year	$ 2,198,489	$ 361,294	**$ 2,559,783**	$ 2,150,308

Haven of Rest Ministries of Battle Creek
Statement of Cash Flows
Year Ended June 30, 2021 (With Summarized Comparative Information for 2020)

	2021	2020
Cash flows from operating activities		
Change in net assets	$ 409,475	$ (224,478)
Items not requiring cash		
Depreciation expense	162,096	170,473
Bad debt expense	5,584	6,969
Realized and unrealized gain on investments	(157)	(222)
Gain on extinguishment of debt	(288,859)	-
Changes in operating assets and liabilities		
Grants receivable	(346,417)	(22,721)
Accounts receivable	(10,067)	4,467
Accounts payable	16,187	(14,791)
Accrued payroll	(52,704)	79,782
Accrued compensated absences	2,631	10,389
Accrued payroll taxes	(4,071)	10,785
Net cash provided (used) by operating activities	(106,302)	20,653
Cash flows from investing activities		
Acquisition of capital assets	(143,740)	(49,881)
Payments received on land contracts receivable	43,180	36,680
Net cash used by investing activities	(100,560)	(13,201)
Cash flows from financing activities		
Payments on line of credit	-	(65,000)
Proceeds from line of credit	55,000	-
Proceeds from long-term debt	-	298,859
Principal payments on long-term debt	(43,538)	(19,905)
Net cash provided (used) by financing activities	11,462	213,954
Net change in cash and cash equivalents	(195,400)	221,406
Cash and cash equivalents – beginning of year	289,128	67,722
Cash and cash equivalents – end of year	$ 93,728	$ 289,128
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 2,674	$ 8,630

See Accompanying Notes to the Financial Statements

Haven of Rest Ministries of Battle Creek
Statement of Functional Expenses
Year Ended June 30, 2021 (With Summarized Comparative Information for 2020)

	Program Service	Management and General	Fundraising	**2021 Totals**	2020 Totals
Salaries and wages	$ 1,254,444	$ 237,103	$ 24,053	**$ 1,515,600**	$ 1,404,734
Payroll taxes	97,280	13,301	1,817	**112,398**	107,308
Fringe benefits	43,566	22,173	936	**66,675**	94,514
Food	35,281	-	-	**35,281**	28,616
Maintenance	78,684	8,661	-	**87,345**	63,720
Interest	55	2,619	-	**2,674**	8,630
Education and training	801	287	-	**1,088**	1,384
Insurance	26,012	3,564	-	**29,576**	31,026
Office expense	12,203	16,376	10,411	**38,990**	18,917
Utilities	105,468	13,026	-	**118,494**	101,629
Supplies	42,502	5,629	41	**48,172**	36,937
Telephone	3,672	2,099	90	**5,861**	7,123
Depreciation	144,085	18,011	-	**162,096**	170,473
Professional fees	57,670	24,624	1,820	**84,114**	83,520
Property tax	-	-	-	**-**	324
Advertising and similar costs	1,214	24	10,426	**11,664**	7,124
Donated shelter supplies	41,464	-	-	**41,464**	80,419
Bad debt	5,584	-	-	**5,584**	6,969
Grants to others	4,349	2,697	-	**7,046**	-
Other	5,629	2,726	2,413	**10,768**	34,649
Total expenses	$ 1,959,963	$ 372,920	$ 52,007	**$ 2,384,890**	$ 2,288,016

See Accompanying Notes to the Financial Statements

Note 1 - Summary of Significant Accounting Policies

Nature of Activities

Haven of Rest Ministries (the "Organization") is a Michigan non-profit Organization, based in Battle Creek, Michigan. The Organization was established to provide meals, shelter and the gospel message to individuals suffering from homelessness and addiction. The Organization offers many other pastoral and case management services to provide comfort and counseling to various individuals in the Battle Creek area.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation

Net assets of the Organization and changes therein, are classified and reported as follows:

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:

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

<u>Net assets with donor restrictions</u> – 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.

We report 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.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents. The entire bank balance was insured by the FDIC.

Property and Equipment

The Organization follows the practice of capitalizing all expenditures in excess of $1,000. Property and equipment is recorded at cost or, if acquired by gift, the fair market value at the date of the gift. Assets acquired through lease agreements meeting requirements under generally accepted accounting principles that require capitalization are recorded at the lower of the present value of the minimum lease payments or their fair value as of the date of lease inception. Depreciation is mainly provided on the straight-line basis over the estimated useful lives of the respective assets, although accelerated methods have been utilized in previous years for certain assets. The Organization intends to only use the straight-line basis going forward. Useful lives range from three to forty years.

Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional.

The Organization uses the income approach to value unconditional promises to give, in the aggregate on an annual basis, under the fair value option.

Other Funds Held by Battle Creek Community Foundation
The Organization is the income beneficiary of a permanent endowment funds held by the Battle Creek Community Foundation. The Community Foundation's board of trustees has variance power over the endowment funds held by it. Under variance powers, if the named charity is no longer active or providing a needed service, or if the purpose of the fund becomes impractical or impossible to fulfill, the board of trustees of the Community Foundation may select another recipient with a similar purpose. Income distributions are based upon a formula of the market value of the assets under management and are reflected as grant revenues by the beneficiary organization. This endowment fund has not been recorded as an asset of the Organization.

The funds held by the Community Foundation are detailed as follows:

The A. Robert Briere Endowment Fund was established in 2017 for the purpose of supporting the programs provided by the Organization. The fair value of this fund was $27,221 and $22,526 for the years of June 30, 2021 and 2020, respectively. The Organization did not receive any revenue in 2021 or 2020 from this fund.

The Haven of Rest Ministries, Inc. Endowment Fund was established in 2010 for the purpose of supporting the programs provided by the Organization. The fair value of this fund was $49,078 and $40,503 for the years of June 30, 2021 and 2020, respectively. The Organization did not receive any revenue in 2021 or 2020 from this fund.

Compensated Absences
Employees of the Organization are entitled to paid time off, depending on length of service. Employees are allowed to accumulate days of varying limits depending on length of service and, upon separation, are paid out amounts at various limits at the employees' current pay rate. Employees can also carry over 5 days of earned vacation from year to year.

Revenue and Revenue Recognition
Revenue is recognized when earned. Program service fees are deferred to the applicable period in which the performance obligations are met. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and Goods
The Organization records the value of donated goods as contributions using estimated fair values at the date of receipt. The Organization recognized donated supplies of $41,464 and $80,419 or the years ended June 30, 2021 and 2020, respectively.

Advertising
The Organization expenses advertising costs the first time the advertising occurs. Advertising expense for the years ended June 30, 2021 and 2020 was $11,664 and $7,124, respectively.

Functional 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. Accordingly, all costs have been directly charged to the functions except for an immaterial amount of salaries have been allocated to fundraising.

Income Tax Status
The Organization is qualified as a tax-exempt Organization under Section 501(c)(3) of the Internal Revenue Code, and is classified as an Organization other than a private foundation, as described in Section 509(a).

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management's Review

Management has evaluated subsequent events through January 20, 2022, which is the date the financial statements were available to be issued.

Note 2 - Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	2021	2020
Cash and cash equivalents	$ 93,728	$ 289,128
Investments	2,628	2,471
Grants receivable	463,325	116,908
Accounts receivable	24,625	20,142
Land contracts receivable	21,860	38,160
Spendable portion of beneficial interest in assets held by community foundation	8,310	5,400
Total financial assets - end of year	614,476	472,209
Less: Financial assets unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions		
Restricted by donor with time or purpose restrictions	(361,294)	(19,206)
Financial assets available to meet cash needs for general expenditures within one year	$ 253,182	$ 453,003

The Organization does not have a policy to maintain a particular amount of days of operating expenses as liquid assets. The Organization is primarily supported by grants and contributions that are received on a frequent basis throughout the year. As such, the future cash needs of the Organization are substantially met by these receipts, which are received when the expenses are incurred. The Organization also has a line of credit that can be utilized.

Note 3 - Conditional Promises to Give

During the fiscal year, the Organization received conditional promises to give related to local, state and federal grants. Payment of the grants is contingent upon spending the funds for the designated allowable purpose and various compliance requirements which may include 2 CFR 200. The conditional contributions consisted of the following as of June 30, 2021:

	2021			2020
Condition/ Grant Purpose	Total Contract/Grant Amount	Spent to Date	Conditional Contribution	Conditional Contribution
Money is paid per bed filled in shelters	$ 383,166	$ 246,492	$ 136,674	$ 122,850
Funds need to be spent to be reimbursed for Life Recovery Programs	198,650	168,991	29,659	31,830
Money is paid per bed filled for VA program	479,610	223,549	256,061	218,790
Money is paid monthly for HMIS work	9,000	8,539	461	1,788
Outreach services	30,401	27,342	3,059	192
	$ 1,100,827	$ 674,913	$ 425,914	$ 375,450

Note 4 - Land Contracts Receivable

The Organization has six pieces of property that are in land contract. These properties were donated to the Organization in prior years and the contracts are non-interest bearing. Future payments consist of the following:

For the year ended June 30,	
2022	$ 21,860
2023	8,860
2024	3,360
2025	1,580
Total future payments	$ 35,660

Total land contract payments received in the year ending June 30, 2021 and 2020 was $43,180 and $36,680, respectively.

Note 5 - Property and Equipment

Major classes of assets and related accumulated depreciation thereon are summarized as follows:

	2021	2020
Property and equipment not being depreciated		
Land	$ 54,000	$ 54,000
Construction in process	30,514	59,769
Total non depreciable assets	84,514	113,769
Property and equipment being depreciated		
Land improvements	1,656	1,656
Buildings	4,137,202	3,981,211
Equipment	410,889	404,104
Vehicles	41,041	30,822
Total property and equipment being depreciated	4,590,788	4,417,793
Less: accumulated depreciation		
Land improvements	(1,182)	(827)
Buildings	(2,078,841)	(1,934,921)
Equipment	(387,870)	(374,429)
Vehicles	(27,549)	(23,169)
Net property and equipment being depreciated	(2,495,442)	(2,333,346)
Net property and equipment	$ 2,179,860	$ 2,198,216

Note 6 - Retirement Plan

The Organization has a defined contribution salary deferral plan qualified under Internal Revenue Code Section 403(b). Under the plan, the Organization does not match employee contributions.

Note 7 - Line of Credit

The Organization has an unsecured line of credit arrangement totaling $100,000. This arrangement provides for borrowing amounts for short-term use at prime plus 1%. The Organization maintained an outstanding balance of $55,000 and $0 on the line of credit as of June 30, 2021 and 2020, respectively.

Note 8 - Notes Payable

The Organization has the notes payable as follows:

	2021	2020
Promissory note – secured by business loan agreement and negative pledge agreement, monthly payments of $989.50, interest at fixed rate, 4.25%, due July 15, 2025	$ 19,780	$ 53,318
Paycheck Protection Program (PPP) Loan payable to the Federal government in monthly principal installments of $16,256, with the first six month payments deferred, plus interest at 1% through April 28, 2022	-	288,859
EIDL Loan payable to the Federal government in monthly principal installments of $43, with the first twelve month payments deferred, plus interest at 2.75% through April 12, 2050	-	10,000
Less current portion	10,604	136,464
Total long term note payable, net of current portion	$ 9,176	$ 215,713

Annual note maturities are scheduled as follows:

Year ended June 30,	
2022	$ 10,604
2023	9,176
	$ 19,780

Note 9 - Net Assets With Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes and periods at June 30, 2021:

	2021	2020
Subject to expenditure for specified purpose:		
Shelter Programs	$ 10,875	$ -
Gain Access Program	43,500	9,206
Inasmuch Program	11,919	-
WLRP	195,000	
July payroll expense	-	10,000
Total	261,294	19,206
Subject to the passage of time:		
Promises to give that are not restricted by donors, but which are unavailable for expenditure until due	100,000	-
Total net assets with donor restrictions	$ 361,294	$ 19,206

The amount restricted for WLRP of $195,000 is also restricted for time.

Note 10 - Revenue from Contracts with Customers

The following summarizes revenue by type for the year ended June 30, 2021 and 2020:

	2021	2020
Revenue from contracts with customers	$ 80,272	$ 74,428
Contribution revenue	2,573,160	1,906,996
Miscellaneous income	140,933	82,114
Total revenue	$ 2,794,365	$ 2,063,538

The revenue from contracts with customers for the year ended June 30, 2021 and 2020 consists of:

	2021	2020
Revenue earned over time	$ 16,626	$ 18,382
Revenue earned at a point in time	63,646	56,046
	$ 80,272	$ 74,428

Revenue earned over time consists of membership dues from the Men's and Women's Life Recovery Programs. The twelve-month programs are designed to help participants overcome their addictions while identifying self-defeating behaviors and maximizing their potential to live and work in the community. Membership fees are calculated based on 10% of the individual's gross income after taking out legally mandated costs such as court fees and child support. Individuals pay on a month-to-month basis and therefore the performance obligations are typically satisfied over that period of time. Membership services include counseling, educational trainings, shelter, daily meals, and basic living necessities. Most of the performance obligations are considered "stand-ready" performance obligations and are therefore recognized as revenue over the length of the membership. The transaction price is allocated to the performance obligations based on the stand-alone selling price. Membership revenue is recognized based on the months completed in a membership year. Membership can be cancelled at any time.

Beginning or ending balances of contract assets were not significant for the years ended June 30, 2021 and 2020. There were no contract liabilities for the years ended June 30, 2021 and 2020.

There were no changes in judgements related to revenue recognition for the years ended June 30, 2021 and 2020.

Note 11 - Risk and Uncertainty

The Organization participates in several state funded contracts and grant programs, which are subject to the financial and compliance audits by the contractor/grantor or its representatives to ensure recipient compliance with the terms of the programs. Management maintains that any liability for reimbursement of contract/grant funding resulting for an audit would not be material to the financial statements.