

**THE HEAT AND WARMTH FUND**  
**(A Nonprofit Organization)**

FINANCIAL STATEMENTS

JUNE 30, 2020

*(With Independent Auditor's Report Thereon)*

**THE HEAT AND WARMTH FUND**  
**(A Nonprofit Organization)**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
**The Heat and Warmth Fund**  
**(A Nonprofit Organization)**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of The Heat and Warmth Fund (a Nonprofit Organization), which comprise the statement of financial position as of June 30, 2020, 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.

### **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 of 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 Organization'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 Organization'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 The Heat and Warmth Fund (a Nonprofit Organization) as of June 30, 2020, and the results of its activities 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 Heat and Warmth Fund's (a Nonprofit Organization) 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 17, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects with the audited financial statements from which it has been derived.

*Doeren Mayhew*

Troy, Michigan  
January 21, 2021

**THE HEAT AND WARMTH FUND**  
**(A Nonprofit Organization)**

**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2020**

**WITH SUMMARIZED INFORMATION AS OF JUNE 30, 2019**

<u>Assets</u>	<u>2020</u>	<u>2019</u>
Current assets:		
Cash and cash equivalents (note 1)	\$ 9,821,681	\$ 10,075,966
Operating investments (notes 1 and 2)	1,095,006	1,094,648
Accounts receivable less allowance for doubtful accounts of \$3,574 in 2020 and 2019 (note 1)	12,941	95,571
Grants receivable (notes 1 and 10)	1,440,000	824,299
Prepaid expenses and other current assets	31,371	76,893
Total current assets	12,400,999	12,167,377
Equipment and software:		
At cost, less accumulated depreciation of \$1,007,747 in 2020 and \$900,260 in 2019 (notes 1 and 3)	150,911	238,644
Total assets	<u>\$ 12,551,910</u>	<u>\$ 12,406,021</u>
<b><u>Liabilities and Net Assets</u></b>		
Current liabilities:		
Accounts payable	\$ 344,280	\$ 313,595
Accrued liabilities (note 1)	1,158,441	698,130
Deferred income (note 9)	66,810	-
Current portion of deferred leasehold incentive (note 3)	39,140	46,968
Total current liabilities	1,608,671	1,058,693
Deferred leasehold incentive (note 3)	-	39,141
Net assets:		
Without donor restrictions	7,178,192	7,008,437
With donor restrictions (notes 1 and 10)	3,765,047	4,299,750
Total net assets	10,943,239	11,308,187
Total liabilities and net assets	<u>\$ 12,551,910</u>	<u>\$ 12,406,021</u>

See accompanying notes to financial statements

**THE HEAT AND WARMTH FUND  
(A Nonprofit Organization)**

**STATEMENTS OF ACTIVITIES  
YEAR ENDED JUNE 30, 2020**

**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019**

	Without Donor Restrictions	With Donor Restrictions	2020	2019
Revenue and support from operations:				
Public and corporate support	\$ 2,436,033	\$ 150,000	\$ 2,586,033	\$ 2,261,253
DTE Energy	11,015	1,000,000	1,011,015	616,355
DTE Gas	-	1,250,000	1,250,000	400,000
Consumers Gas	300,000	-	300,000	507,620
Federal grants	-	48,132	48,132	1,588,878
State of Michigan grants	12,606	5,613,670	5,626,276	8,161,457
Foundation support	25,120	35,000	60,120	294,650
Net investment return, net of fees	(222)	-	(222)	45,519
Fundraising revenue	-	50,000	50,000	50,000
Service fee revenue	-	-	-	67,581
Miscellaneous income	12,004	-	12,004	20,042
	<u>2,796,556</u>	<u>8,146,802</u>	<u>10,943,358</u>	<u>14,013,355</u>
Total revenue and support from operations				
Functional expenses:				
Program services	9,433,294	-	9,433,294	14,210,516
Supporting services	2,093,320	-	2,093,320	1,716,252
	<u>11,526,614</u>	<u>-</u>	<u>11,526,614</u>	<u>15,926,768</u>
Total functional expenses (note 1)				
Paycheck Protection Program income (note 9)	196,405	-	196,405	-
Release of net assets from restrictions	8,681,505	(8,681,505)	-	-
Increase (decrease) in net assets before in-kind contributions	147,852	(534,703)	(386,851)	(1,913,413)
In-kind contributions (note 1)	21,903	-	21,903	47,231
Increase (decrease) in net assets	169,755	(534,703)	(364,948)	(1,866,182)
Net assets - beginning	7,008,437	4,299,750	11,308,187	13,174,369
Net assets - ending	<u>\$ 7,178,192</u>	<u>\$ 3,765,047</u>	<u>\$ 10,943,239</u>	<u>\$ 11,308,187</u>

See accompanying notes to financial statements

**THE HEAT AND WARMTH FUND  
(A Nonprofit Organization)**

**STATEMENTS OF FUNCTIONAL EXPENSES  
YEAR ENDED JUNE 30, 2020**

**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019**

	Program Services	Supporting Services			2020	2019
		Management and General	Fundraising	Total Supporting Services		
Salaries and fringes	\$ 866,719	\$ 806,820	\$ 174,957	\$ 981,777	\$ 1,848,496	\$ 2,153,633
Assistance to individuals (note 6)	7,661,273	-	-	-	7,661,273	12,170,817
Promotional	70,264	3,506	155,639	159,145	229,409	92,214
Printing and postage	81,060	6,266	25,499	31,765	112,825	124,406
Contractual services	220,266	540,816	52,035	592,851	813,117	509,270
Travel and meetings	3,850	13,969	914	14,883	18,733	44,427
Depreciation	63,676	26,883	16,929	43,812	107,488	104,872
Applicant screening/referral	-	-	-	-	-	2,820
Telephone	138,678	11,603	11,035	22,638	161,316	164,311
Space rental (note 7)	116,181	59,136	18,068	77,204	193,385	184,369
Supplies	43,775	5,034	5,262	10,296	54,071	72,588
License and fees	2,177	682	169	851	3,028	-
Equipment and software	31,439	28,433	2,585	31,018	62,457	73,560
Web expense	59,018	2,221	214	2,435	61,453	49,835
Dues and subscriptions	1,500	4,522	-	4,522	6,022	6,790
Support maintenance services	7,014	1,705	1,193	2,898	9,912	7,138
Bank fees	-	25,546	2,240	27,786	27,786	19,583
Insurance	7,123	560	320	880	8,003	10,045
Bad debt expense	52,877	-	-	-	52,877	3,574
Miscellaneous	6,404	57,186	9,470	66,656	73,060	81,076
Charitable contributions	-	-	-	-	-	4,209
In-kind expense (note 1)	-	-	21,903	21,903	21,903	47,231
<b>Total functional expenses</b>	<b>\$ 9,433,294</b>	<b>\$ 1,594,888</b>	<b>\$ 498,432</b>	<b>\$ 2,093,320</b>	<b>\$ 11,526,614</b>	<b>\$ 15,926,768</b>

See accompanying notes to financial statements

**THE HEAT AND WARMTH FUND**  
**(A Nonprofit Organization)**

**STATEMENTS OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2020**  
**WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2019**

	<b>2020</b>	<b>2019</b>
Cash flows from operating activities:		
Decrease in net assets	\$ (364,948)	\$ (1,866,182)
Adjustments:		
Depreciation	107,488	104,872
Net unrealized loss (gain) on investments	21,452	(24,222)
Amortization of deferred leasehold incentive	(46,969)	(46,968)
Bad debt expense	52,877	3,574
(Increase)/decrease in:		
Interest and dividend income on investments	(21,811)	(20,057)
Grants receivable	(615,701)	585,728
Accounts receivable	29,753	79,918
Prepaid expenses and other current assets	45,522	18,261
Increase/(decrease) in:		
Accounts payable	30,685	240,485
Accrued liabilities	460,311	(198,194)
Deferred income	66,810	-
Total adjustments	130,417	743,397
Net cash used in operating activities	(234,531)	(1,122,785)
Cash flows from investing activities:		
Purchase of equipment and software	(19,754)	(16,415)
Net decrease in cash and cash equivalents	(254,285)	(1,139,200)
Cash and cash equivalents - beginning	10,075,966	11,215,166
Cash and cash equivalents - ending	\$ 9,821,681	\$ 10,075,966

See accompanying notes to financial statements



**THE HEAT AND WARMTH FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies**

Nature of Activities

The Heat and Warmth Fund (a Nonprofit Organization) (“THAW” or “Organization”) is a community organization that was established in December 1985 to provide utility assistance for Michigan residents in need. THAW collaborates with their partners to deliver services that support long-term energy solutions.

Basis of Presentation

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America as applied to non-profit organizations. Under these principles, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of THAW and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions

Net assets subject to donor-imposed stipulations that may or will be met either by actions of THAW and/or the passage of time.

Comparative Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (GAAP). Accordingly, such information should be read in conjunction with the audited financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**THE HEAT AND WARMTH FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

Revenue Recognition

Revenue is recorded when earned as support without or with donor restrictions depending on the existence and/or nature of any donor restrictions. Service fee revenue and payments under cost-reimbursable contracts are recognized in the period in which the related services are performed, or expenditures are incurred, respectively. Conditional promises to give are not recognized in the financial statements until the conditions are substantially met. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at fair value, which is measured at the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. All revenue is considered to be without donor restrictions unless specifically restricted by the funding source.

Support that is restricted by the funding source is reported as an increase in net assets with donor restrictions. When support is expended to satisfy the restricted purpose, net assets with donor restrictions are classified to net assets without donor restrictions. See Note 10 for the breakdown of net assets with donor restrictions.

Income Taxes

THAW is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code.

The Organization's income tax filings are subject to audit by various taxing authorities. The Organization's open audit periods are 2016 - 2019.

Equipment and Software

Depreciation is provided over the estimated useful lives of the assets on the straight-line method. Donated equipment is stated at cost or approximate fair value at the date of donation. The Organization follows the practice of capitalizing all expenditures for equipment and software over \$5,000. Leasehold improvements are depreciated over the lesser of the length of the related lease or their estimated useful life.

**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

Estimates

The preparation of financial statements in conformity with GAAP 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

THAW receives a substantial portion of its contributions from companies in the southeastern Michigan geographical region and from the State of Michigan. Revenue from the State of Michigan amounted to approximately 57% and 69% of total revenue for the years ended June 30, 2020 and 2019, respectively.

Accounting Standards Adopted in 2020

In 2020, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2018-08, Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The changes to the current GAAP model improve the scope and accounting guidance for contributions received and contributions made. The changes assist entities in evaluating whether transactions should be accounted for as contributions or as exchange transactions and determining whether a contribution is conditional.

The Organization adopted the ASU using the modified prospective approach. There was no impact to revenue or expenses associated with adopting ASU 2018-08 for the year ended June 30, 2020.

Cash and Cash Equivalents

For purposes of the statements of cash flows, cash equivalents include highly liquid investments with original maturities of three months or less. THAW places its temporary cash investments with high credit quality financial institutions. THAW's cash balance in excess of the FDIC insurance limit at June 30, 2020 and 2019 was approximately \$9,374,900 and \$9,726,900, respectively. All cash and cash equivalents are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain cash and cash equivalents, it is at least reasonably possible that changes in the values of cash and cash equivalents could occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

Grants Receivable

Grants receivable consists of funds through the State of Michigan. No allowance for uncollectible accounts has been provided. Management has evaluated the account based on historical experience and review of current status and believes it is collectible.

Accounts Receivable

Accounts receivable are carried at invoice amounts. The receivable consists of reimbursable grants and program fees at June 30, 2020. An allowance for doubtful accounts is established based on a specific assessment of all invoices that remain unpaid following normal customer payment periods. At June 30, 2020 and 2019, the allowance for doubtful accounts amounted to \$3,574.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements. The reclassifications had no impact on previously reported net assets.

Agency Transactions

The Organization acts as an agent for St. Vincent DePaul (SVDP). Under the agency agreement, SVDP utilizes THAW's SafetyNet software to facilitate their own grant. SVDP sends cash to THAW which is then distributed to recipient's through use of THAW's SafetyNet software. As of June 30, 2020 and 2019, there was \$72,485 and \$217,230, respectively, of cash received in excess of payments made for SVDP recipients, which was included in accrued liabilities.

Operating Investments

Investment purchases are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities. See Note 2 for a summary of investment return/(loss).

**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

Operating Investments (Continued)

GAAP establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy under generally accepted accounting principles are described below:

Basis of Fair Value Measurements

- Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.
- Level 2 - Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 - Prices or valuations that require input that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to their fair value measurement. See Note 2, Operating Investments, for investment valuations.

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 21, 2021, which is the date the financial statements were available to be issued.

**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 1 - Nature of Activities and Significant Accounting Policies (Continued)**

Allocation of Functional Expenses

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. As a result, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include space rental which is allocated on a square foot basis. Salaries and related expenses are allocated on the basis of the actual or estimated time devoted to those activities. All other expenses have been allocated on the basis of actual or estimates of time and effort attributable to the program or supporting function, as determined by management. For the year ended June 30, 2020, total functional expenses were allocated in the following manner:

Program services	\$ 9,433,294
Supporting services:	
Management and general	1,594,888
Fundraising	<u>498,432</u>
 Total functional expenses	 <u>\$ 11,526,614</u>

Expenses reported under program services represent the cost of providing energy assistance. Expenses reported under supporting services include costs relating to the operations of the Organization, general recordkeeping, accounting, general board activities, fundraising and other related costs. The salaries and expenses of the Chief Executive Officer and Chief Operating Officer are allocated to program services for time spent directly supervising program activities.

In-Kind Contributions

In-kind contributions for the years ended June 30, 2020 and 2019 amounted to \$21,903 and \$47,231, respectively, and consisted of the value of bill inserts included in electric bills. The corresponding expense is included in functional expenses.

Risks and Uncertainties

Global efforts to contain the spread of COVID-19, often referred to as the Coronavirus, have significantly impacted many businesses and the economy. While the situation is evolving rapidly, and the full impact is not yet known, the disruption caused by the Coronavirus is affecting business and consumer activities worldwide - including disruption to major financial markets, supply chains, interruption of production, limited personnel, facility and store closures, and decreased demand from both business customers and consumers. As of January 21, 2021, the Organization is assessing the impact on its operations and cash flows but currently the disruption and uncertainty caused by the Coronavirus is far-reaching and the ultimate effects of this event are unknown.

**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 2 - Operating Investments**

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified in the following:

	<b>As of June 30, 2020</b>			
	Fair Value Based on			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobserv- able Inputs (Level 3)
Mutual funds:				
Large blend	\$ 183,664	\$ 183,664	\$ -	\$ -
Foreign large blend	89,489	89,489	-	-
Large value	137,707	137,707	-	-
Small blend	77,669	77,669	-	-
Fixed income	175,130	175,130	-	-
Mid-cap blend value	83,102	83,102	-	-
Total mutual funds	746,761	746,761	-	-
Money market fund (at cost)	190,756	-	-	-
Cash deposit account (at cost)	157,489	-	-	-
Total operating investments	<u>\$ 1,095,006</u>	<u>\$ 746,761</u>	<u>\$ -</u>	<u>\$ -</u>

**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 2 - Operating Investments (Continued)**

	<b>As of June 30, 2019</b>			
	Fair Value Based on			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobserv- able Inputs (Level 3)
Mutual funds:				
Large blend	\$ 174,409	\$ 174,409	\$ -	\$ -
Foreign large blend	96,005	96,005	-	-
Large value	152,740	152,740	-	-
Small blend	83,500	83,500	-	-
Fixed income	199,624	199,624	-	-
Mid-cap blend value	84,750	84,750	-	-
Total mutual funds	791,028	791,028	-	-
Money market fund (at cost)	222,764	-	-	-
Cash deposit account (at cost)	80,856	-	-	-
Total operating investments	<u>\$ 1,094,648</u>	<u>\$ 791,028</u>	<u>\$ -</u>	<u>\$ -</u>

For the above mutual funds, the fair value was determined by reference to quoted market prices in active markets (Level 1) and other relevant information generated by market transactions.



**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

**Note 2 - Operating Investments (Continued)**

A summary of investment earnings included in the decrease in net assets in the accompanying statements of activities is as follows:

	<b>2020</b>	<b>2019</b>
Gross unrealized gains	\$ 9,253	\$ 28,865
Gross unrealized losses	(29,027)	(3,032)
Dividends and interest	16,744	22,820
Total	\$ (3,030)	\$ 48,653

**Note 3 - Equipment and Software**

The principal categories of equipment and software as of June 30, 2020 and 2019 may be summarized as follows:

	<b>2020</b>	<b>2019</b>
Leasehold improvements	\$ 498,932	\$ 498,932
Office equipment	150,473	130,719
Software - other	10,813	10,813
Web-based system	190,220	190,220
TSN 2 web database	308,220	308,220
Total cost	1,158,658	1,138,904
Less accumulated depreciation	1,007,747	900,260
Total undepreciated cost	\$ 150,911	\$ 238,644

Included in leasehold improvements as of June 30, 2020 is \$270,068 of tenant improvement costs, which were paid by the lessor. These costs represent a deferred leasehold incentive, which will be amortized over the lease term using the straight-line method. As of June 30, 2020 and 2019, deferred leasehold incentive related to this transaction amounted to \$39,140 and \$86,109, respectively.

**THE HEAT AND WARMTH FUND**  
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**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 4 - Line-of-Credit**

THAW has an unsecured revolving line-of-credit of \$100,000 with Chase Bank bearing interest at prime plus 2%. At June 30, 2020 and 2019, there were no borrowings on the line-of-credit.

**Note 5 - Donated Goods and Services**

The Organization recognizes contribution revenue for certain services received at the fair value of those services, provided those services create or enhance non-financial assets or require specialized skills, which are provided by individuals possessing those skills and would typically need to be purchased.

A substantial number of volunteers have donated time to the Organization. The value of these services is not reflected in the financial statements because the services are not recordable under accounting principles generally accepted in the United States of America. During 2020 and 2019, volunteers donated 695 and 541 hours, respectively, to the Organization.

Donated goods are reflected in the financial statements at their estimated values as described in Note 1.

**Note 6 - Assistance to Individuals**

Certain members of the Organization's Board of Directors are involved in other companies whose operations are similar to those of the Organization. The Organization provides a substantial portion of its direct assistance payments to these companies.

Assistance to individuals included in program expenses was provided in the form of direct payments for the years ended June 30, 2020 and 2019 as follows:

	<u>2020</u>	<u>2019</u>
DTE Energy	\$ 4,801,717	\$ 10,255,144
Consumers Energy	1,383,034	186,701
S.E.M.C.O. Energy	702,036	1,366,600
Other water assistance	26,139	16,793
Michigan Gas Utilities	1,408	2,402
Energy efficiency assistance	38,311	52,089
Other fuel	370,188	15,411
City of Detroit Water and Sewer Department	<u>338,440</u>	<u>275,677</u>
Total assistance to individuals	<u>\$ 7,661,273</u>	<u>\$ 12,170,817</u>

**THE HEAT AND WARMTH FUND**  
**(A Nonprofit Organization)**

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2020 AND 2019**

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**Note 7 - Operating Expense**

THAW leases its office space, phone equipment, postage machine and copier from unrelated third-parties. Total lease expense for the years ended June 30, 2020 and 2019 was \$155,014 and \$134,109, respectively.

The Organization leases their office facility under a noncancellable agreement expiring in April 2021. The agreement calls for monthly lease payments in the amount of \$15,158 through June 2020. In July 2020, lease payments will increase to \$15,604 for the remainder of the lease.

The future minimum rental payments under this operating lease as of June 30, 2020 are \$156,041 in 2021.

**Note 8 - Pension Plan**

THAW offers a simple IRA account. Contributions to these accounts amounted to \$25,691 and \$40,051 for the years ended June 30, 2020 and 2019, respectively.

**Note 9 - Deferred Income**

On April 15, 2020, the Organization obtained a 1% twenty-four month term loan of \$263,215 that is guaranteed through the United States Small Business Administration (“SBA”) program titled the Paycheck Protection Program (“PPP”). Amongst the provisions of this program, the SBA will guarantee up to 100% of the loan and the full principal amount may qualify for loan forgiveness if the Organization complies with all requirements of the program. The Organization has determined that the PPP loan represents, in substance, a grant that is expected to be forgiven since the funds have been spent in accordance with the requirements of the program. The Organization has recognized a contribution for the portion of the loan for which the conditions have been met as of June 30, 2020. The deferred income balance represents the portion of the loan for which the conditions of release have not been met. The deferred income balance will be recognized as a contribution as the conditions are fulfilled.

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**NOTES TO FINANCIAL STATEMENTS  
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**Note 10 - Net Assets with Donor Restrictions**

Net assets with donor restrictions consist of the following as of June 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
State of Michigan	\$ 1,556,876	\$ 1,598,935
Skillman Foundation	35,115	5,494
DTE Energy	669,975	37,481
DTE Gas	1,202,688	2,082,140
Max Fisher Foundation	122,202	36,324
Consumers Energy	100,123	496,979
S.E.M.C.O. Energy	78,068	42,397
Total	<b>\$ 3,765,047</b>	<b>\$ 4,299,750</b>

Net assets with donor restrictions are restricted for the following purposes:

	<b>2020</b>	<b>2019</b>
Subject to expenditures for specified purpose:		
Direct assistance to clients	\$ 3,353,966	\$ 4,231,426
Direct assistance to clients - Brightmoore area	107,202	21,324
Administration	303,879	47,000
Total	<b>\$ 3,765,047</b>	<b>\$ 4,299,750</b>

**THE HEAT AND WARMTH FUND  
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**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020 AND 2019**

**Note 11 - 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:

	<b>2020</b>	<b>2019</b>
Total current assets	\$ 12,400,999	\$ 12,167,377
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with time or purpose restrictions	(3,765,047)	(4,299,750)
Less prepaid expenses and other	(31,371)	(76,893)
Total	<b>\$ 8,604,581</b>	<b>\$ 7,790,734</b>

Financial assets in the amount of \$8,604,581 are available for general expenditure without donor or other restrictions limiting their use for the year ended June 30, 2020. If funds to cover the cost of current liabilities are backed out, a net amount of \$6,995,910 is available. The Organization invests cash in excess of daily requirements in short-term investments, CDs, and money market funds to manage their liquidity. These short-term investments could be sold if additional liquid assets were needed. Additionally, the Organization has an unused line-of-credit in the amount of \$100,000 that could be drawn on if needed.

**\* \* \* End of Notes \* \* \***