

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

FINANCIAL STATEMENTS

JUNE 30, 2021

(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, 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.

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, 2021, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2021, The Heat and Warmth Fund (A Nonprofit Organization), restated the 2020 financial statements, which were previously issued on January 21, 2021, to correct the Organization's accounting of release from grant restrictions, in order to comply with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited The Heat and Warmth Fund's (A Nonprofit Organization) 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 21, 2021. In our opinion, with the exception of the restatement noted above, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects with the audited financial statements from which it has been derived.

Doeren Mayhew

Troy, Michigan
January 25, 2022

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021
WITH COMPARATIVE INFORMATION AS OF JUNE 30, 2020

<u>Assets</u>	<u>2021</u>	<u>2020</u> (Restated)
Current assets:		
Cash and cash equivalents (note 1)	\$ 12,748,602	\$ 10,169,926
Investment securities (notes 1 and 2)	1,152,768	746,761
Accounts receivable, less allowance for doubtful accounts of \$3,574 in 2021 and 2020 (note 1)	614,271	12,941
Grants receivable (notes 1 and 9)	706,900	1,440,000
Prepaid expenses and other current assets	52,632	31,371
Total current assets	15,275,173	12,400,999
Equipment and software:		
At cost, less accumulated depreciation of \$1,119,388 in 2021 and \$1,007,747 in 2020 (notes 1 and 3)	39,270	150,911
Total assets	\$ 15,314,443	\$ 12,551,910
<u>Liabilities and Net Assets</u>		
Current liabilities:		
Accounts payable	\$ 516,096	\$ 344,280
Accrued and other liabilities (note 1)	385,511	1,158,441
Deferred income (note 11)	716,163	66,810
Deferred leasehold incentive (note 3)	-	39,140
Total current liabilities	1,617,770	1,608,671
Net assets:		
Without donor restrictions	9,640,708	8,801,499
With donor restrictions (notes 1 and 9)	4,055,965	2,141,740
Total net assets	13,696,673	10,943,239
Total liabilities and net assets	\$ 15,314,443	\$ 12,551,910

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020 (Restated)
Revenue and support from operations:				
Public and corporate support	\$ 2,478,831	\$ 250,000	\$ 2,728,831	\$ 2,586,033
DTE Energy	617,614	900,000	1,517,614	1,011,015
DTE Gas	-	1,000,000	1,000,000	1,250,000
Consumers Gas	-	1,095,000	1,095,000	300,000
Grant revenue	1,057,079	-	1,057,079	-
Federal grants	664,498	-	664,498	48,132
State of Michigan grants	-	6,956,697	6,956,697	5,626,276
Foundation support	302,869	-	302,869	60,120
Net investment return, net of fees	238,514	-	238,514	(222)
Fundraising revenue	-	37,550	37,550	50,000
Service fee revenue	39,355	-	39,355	12,004
	<u>5,398,760</u>	<u>10,239,247</u>	<u>15,638,007</u>	<u>10,943,358</u>
Total revenue and support from operations				
Functional expenses:				
Program services	10,907,489	-	10,907,489	9,433,294
Supporting services	2,105,593	-	2,105,593	2,093,320
	<u>13,013,082</u>	<u>-</u>	<u>13,013,082</u>	<u>11,526,614</u>
Total functional expenses (note 1)				
Paycheck Protection Program income (note 11)	66,810	-	66,810	196,405
Release of net assets from restrictions	<u>8,325,022</u>	<u>(8,325,022)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets before in-kind contributions	777,510	1,914,225	2,691,735	(386,851)
In-kind contributions (note 1)	<u>61,699</u>	<u>-</u>	<u>61,699</u>	<u>21,903</u>
Change in net assets	839,209	1,914,225	2,753,434	(364,948)
Net assets - beginning	<u>8,801,499</u>	<u>2,141,740</u>	<u>10,943,239</u>	<u>11,308,187</u>
Net assets - ending	<u>\$ 9,640,708</u>	<u>\$ 4,055,965</u>	<u>\$ 13,696,673</u>	<u>\$ 10,943,239</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2021

WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

	Program Services	Supporting Services		Total Supporting Services	2021	2020 (Restated)
		Management and General	Fundraising			
Salaries and fringes	\$ 1,018,647	\$ 918,915	\$ 275,899	\$ 1,194,814	\$ 2,213,461	\$ 1,848,496
Assistance to individuals (note 6)	8,582,627	-	-	-	8,582,627	7,661,273
Promotional	11,879	-	100,653	100,653	112,532	229,409
Printing and postage	153,795	2,598	107,470	110,068	263,863	112,825
Contractual services	629,807	311,082	53,118	364,200	994,007	813,117
Travel and meetings	522	1,491	1,092	2,583	3,105	18,733
Depreciation	68,819	26,275	16,546	42,821	111,640	107,488
Telephone	255,064	28,663	14,396	43,059	298,123	161,316
Space rental (note 7)	113,915	34,422	13,417	47,839	161,754	193,385
Supplies	20,742	7,814	1,025	8,839	29,581	54,071
License and fees	-	-	-	-	-	3,028
Equipment and software	4,660	33,918	2,708	36,626	41,286	62,457
Web expense	35,640	2,400	513	2,913	38,553	61,453
Dues and subscriptions	-	3,051	10,750	13,801	13,801	6,022
Support maintenance services	2,192	1,362	1,129	2,491	4,683	9,912
Bank fees	-	505	31,415	31,920	31,920	27,786
Insurance	9,180	2,010	1,050	3,060	12,240	8,003
Bad debt expense	-	-	-	-	-	52,877
Miscellaneous	-	31,090	315	31,405	31,405	73,060
Events	-	-	6,322	6,322	6,322	-
Interest	-	480	-	480	480	-
In-kind expense (note 1)	-	-	61,699	61,699	61,699	21,903
Total functional expenses	\$ 10,907,489	\$ 1,406,076	\$ 699,517	\$ 2,105,593	\$ 13,013,082	\$ 11,526,614

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

STATEMENTS OF CASH FLOWS
YEAR ENDED JUNE 30, 2021
WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

	<u>2021</u>	<u>2020</u> (Restated)
Cash flows from operating activities:		
Change in net assets	\$ 2,753,434	\$ (364,948)
Adjustments:		
Depreciation	111,640	107,488
Net realized and unrealized (gain) loss on investments	(218,327)	21,452
Amortization of deferred leasehold incentive	(39,140)	(46,969)
Bad debt expense	-	52,877
Paycheck Protection Program income	(66,810)	(196,405)
(Increase)/decrease in:		
Grants receivable	733,100	(615,701)
Accounts receivable	(601,330)	29,753
Prepaid expenses and other current assets	(21,261)	45,522
Increase/(decrease) in:		
Accounts payable	171,816	30,685
Accrued liabilities	(772,930)	460,311
Deferred income	716,163	-
Total adjustments	<u>12,921</u>	<u>(110,987)</u>
Net cash provided from (used in) operating activities	2,766,355	(475,935)
Cash flows from investing activities:		
Proceeds from sale of investments	376,534	500,000
Purchases of investments	(564,213)	(474,864)
Interest and dividend income on investments	-	(2,320)
Purchase of equipment and software	-	(19,754)
Net cash (used in) provided from investing activities	<u>(187,679)</u>	<u>3,062</u>
Cash flows from financing activities:		
Proceeds received from Paycheck Protection loan	-	263,215
Net increase (decrease) in cash and cash equivalents	2,578,676	(209,658)
Cash and cash equivalents - beginning	<u>10,169,926</u>	<u>10,379,584</u>
Cash and cash equivalents - ending	<u>\$ 12,748,602</u>	<u>\$ 10,169,926</u>

See accompanying notes to financial statements

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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 currently provides assistance with heat, electricity and water. They also provide energy efficiency education and energy efficiency upgrades in the home, as well as case management and referral services to help stabilize and empower families with long-term 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.

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. 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.

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Revenue Recognition (Continued)

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 9 for the breakdown of net assets with donor restrictions.

The Organization also has program service fee revenue contracts with customers. The transaction price is the contracted service fee for the utilization of the call center and software end user licenses. The Organization bills the entities at the end of each month for service fees incurred over the course of the month. Revenue is recognized over the course of the month that services are performed.

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 2017 - 2020.

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.

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 42% and 57% of total revenue for the years ended June 30, 2021 and 2020, respectively.

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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, 2021 and 2020 was approximately \$12,143,300 and \$9,374,900, 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 Organization also maintains an investment account with a stock brokerage firm. The account contains cash and securities. Balances are insured up to \$500,000, with a limit of \$250,000 for cash in 2021 and 2020, by the Securities Investor Protection Corporation ("SIPC"). At June 30, 2021 and 2020, \$652,768 and \$344,876, respectively, were in excess of the SIPC insurance limit.

Grants Receivable

Grants are recorded as receivable when earned. Revenue from conditional grant awards under expense reimbursement programs is recognized in the period during which the conditions are substantially met. In cases where the conditions are substantially met in advance of receiving the grant reimbursement, revenue and grants receivable are recorded. 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 program fees at June 30, 2021 and 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, 2021 and 2020, the allowance for doubtful accounts amounted to \$3,574.

The following summarizes the balances for gross accounts receivable related to contracts with customers at June 30, 2021:

Accounts receivable - beginning	\$ 16,515
Accounts receivable - ending	617,845

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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, 2021 and 2020, there was \$58,042 and \$72,485, respectively, of cash received in excess of payments made for SVDP recipients, which was included in accrued liabilities.

Investment Securities

The Organization records investment purchases 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 and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair Value Measurements

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. All debt and equity securities are measured using Level 1 inputs.

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

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.

Restatement of 2020

The 2020 financial statements have been restated to adjust for multiple incorrect releases of restrictions. The Organization had previously understated the amount of releases of net assets from restrictions for multiple grants. The restatement caused a change in classification of net assets with and without donor restrictions. The impact of the restatement was an increase to net assets without donor restrictions and a decrease to net assets with donor restrictions in the amount of \$1,623,307.

In-Kind Contributions

In-kind contributions for the years ended June 30, 2021 and 2020 amounted to \$61,699 and \$21,903, respectively, and consisted of the value of items provided for fundraising and fundraising events. The corresponding expense is included in functional expenses.

Accounting Standards Adopted in 2021

In 2021, the Organization adopted Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). ASU No. 2014-09 and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers.

As part of the adoption of the ASU, the Organization elected the following transition practical expedients: (i) to reflect the aggregate of all contract modifications that occurred prior to the date of initial application when identifying satisfied and unsatisfied performance obligations, determining the transaction price, and allocating the transaction price and (ii) to apply the standard only to contracts that are not completed at the initial date of application. Because contract modifications are minimal, there is not a significant impact as a result of electing these practical expedients.

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Accounting Standards Adopted in 2021 (Continued)

The Organization adopted the ASU using a modified retrospective approach. No adjustment to net assets was required as of July 1, 2020, as there was no impact to previously reported revenue or expenses associated with adopting ASC 606.

Paycheck Protection Program (PPP) Loan Accounting - Government Grant Model

The Organization elected to account for its PPP funds utilizing the Government Grant Accounting Model. This approach would analogize the accounting treatment with the not-for-profit U.S. GAAP guidance for contributions. This model is founded on the premise that the substance of PPP funds is a government grant delivered in the form of a forgivable loan. The Organization recognized the PPP loan proceeds into income as the total loan proceeds have been forgiven.

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 and depreciation which are 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, 2021, total functional expenses were allocated in the following manner:

Program services	\$ 10,907,489
Supporting services:	
Management and general	1,406,076
Fundraising	<u>699,517</u>
 Total functional expenses	 <u>\$ 13,013,082</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.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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

Subsequent Events

The financial statements and related disclosures include evaluation of events up through and including January 25, 2022, which is the date the financial statements were available to be issued.

Note 2 - Investment Securities

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

	<u>As of June 30, 2021</u>			
	<u>Fair Value Based on</u>			
	<u>Total</u>	<u>Quoted Prices in Active Markets (Level 1)</u>	<u>Other Observable Inputs (Level 2)</u>	<u>Unobserv- able Inputs (Level 3)</u>
Equity securities:				
Large blend	\$ 405,594	\$ 405,594	\$ -	\$ -
Foreign large blend	135,958	135,958	-	-
Short-term bond	147,888	147,888	-	-
Small blend	137,421	137,421	-	-
Mid-cap blend value	<u>142,410</u>	<u>142,410</u>	<u>-</u>	<u>-</u>
Total equity securities	969,271	969,271	-	-
Trading debt securities	<u>183,497</u>	<u>183,497</u>	<u>-</u>	<u>-</u>
Total investment securities	<u>\$ 1,152,768</u>	<u>\$ 1,152,768</u>	<u>\$ -</u>	<u>\$ -</u>

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 2 - Investment Securities (Continued)

	As of June 30, 2020			
	Fair Value Based on			
	Total	Quoted Prices in Active Markets (Level 1)	Other Observable Inputs (Level 2)	Unobserv- able Inputs (Level 3)
Equity securities:				
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	-	-
Mid-cap blend value	83,102	83,102	-	-
Total equity securities	571,631	571,631	-	-
Trading debt securities	175,130	175,130	-	-
Total investment securities	\$ 746,761	\$ 746,761	\$ -	\$ -

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

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

	2021	2020
Gross unrealized gains	\$ 252,411	\$ 9,253
Gross unrealized losses	(34,084)	(29,027)
Dividends and interest	20,187	16,744
Total	\$ 238,514	\$ (3,030)

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 3 - Equipment and Software

The principal categories of equipment and software as of June 30, 2021 and 2020 may be summarized as follows:

	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 498,932	\$ 498,932
Office equipment	150,473	150,473
Software - other	10,813	10,813
Web-based system	190,220	190,220
TSN 2 web database	<u>308,220</u>	<u>308,220</u>
Total cost	1,158,658	1,158,658
Less accumulated depreciation	<u>1,119,388</u>	<u>1,007,747</u>
Total undepreciated cost	<u>\$ 39,270</u>	<u>\$ 150,911</u>

Included in leasehold improvements as of June 30, 2021 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, 2021 the deferred leasehold incentive has been fully amortized.

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

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

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, 2021 and 2020, 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 2021 and 2020, volunteers donated 38 and 695 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, 2021 and 2020 as follows:

	2021	2020
DTE Energy	\$ 6,563,533	\$ 4,801,717
Consumers Energy	523,437	1,383,034
S.E.M.C.O. Energy	640,340	702,036
Other water assistance	2,886	26,139
Energy education programs	3,050	-
Michigan Gas Utilities	442	1,408
Energy efficiency assistance	614,672	38,311
Other fuel	43,303	370,188
City of Detroit Water and Sewer Department	190,464	338,440
Total assistance to individuals	\$ 8,582,627	\$ 7,661,273

THE HEAT AND WARMTH FUND
(A Nonprofit Organization)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

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, 2021 and 2020 was \$162,670 and \$155,014, respectively.

The Organization leases their office facility under a noncancellable agreement expiring in April 2026. The agreement called for monthly lease payments in the amount of \$15,604 through April 2021. In May 2021, the lease payments increased to \$16,444 through April 2022. In May 2022, the lease payments will increase to \$17,221 through April 2023. In May 2023, the lease payments will increase to \$17,998 through April 2024. In May 2024, the lease payments will increase to \$18,774 through April 2025. In May 2025, lease payments will increase to \$19,551 for the remainder of the lease.

The future minimum rental payments under this operating lease as of June 30, 2021 are as follows:

2022	\$ 198,887
2023	208,206
2024	217,524
2025	226,843
2026	<u>195,507</u>
Total	<u>\$ 1,046,967</u>

Note 8 - Pension Plan

THAW offers a simple IRA account. Contributions to these accounts amounted to \$36,203 and \$25,691 for the years ended June 30, 2021 and 2020, respectively.

**THE HEAT AND WARMTH FUND
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**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020**

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30, 2021 and 2020:

	2021	2020
State of Michigan	\$ 1,527,229	\$ 1,556,876
Skillman Foundation	-	35,115
DTE Energy	304,145	-
DTE Gas	936,518	289,479
Max Fisher Foundation	59,791	122,202
Consumers Energy	1,122,227	60,000
S.E.M.C.O. Energy	106,055	78,068
Total	\$ 4,055,965	\$ 2,141,740

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

	2021	2020
Subject to expenditures for specified purpose:		
Direct assistance to clients	\$ 3,039,777	\$ 1,730,659
Direct assistance to clients - Brightmoor area	47,472	107,202
Administration	968,716	303,879
Total	\$ 4,055,965	\$ 2,141,740

THE HEAT AND WARMTH FUND
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021 AND 2020

Note 10 - 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
Total current assets	\$ 15,275,173	\$ 12,400,999
Less those unavailable for general expenditure within one year, due to:		
Restricted by donor with time or purpose restrictions	(4,055,965)	(2,141,740)
Less prepaid expenses and other	(52,632)	(31,371)
Total	<u>\$ 11,166,576</u>	<u>\$ 10,227,888</u>

Financial assets in the amount of \$11,166,576 are available for general expenditure without donor or other restrictions limiting their use for the year ended June 30, 2021. If funds to cover the cost of current liabilities are backed out, a net amount of \$9,548,806 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.

Note 11 - Paycheck Protection Program Loan

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 recognizes a contribution for the portion of the loan for which the conditions have been met. As of June 30, 2020, the deferred income balance represented the portion of the loan for which the conditions of release had not been met. During the year ended June 30, 2021, the Organization received full forgiveness of the loan and the deferred income balance was recognized as a contribution.

* * * End of Notes * * *