LIFE REMODELED

AUDITED FINANCIAL STATEMENTS

Year ended December 31, 2019

LIFE REMODELED

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Life Remodeled

We have audited the accompanying financial statements of Life Remodeled (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statement 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Life Remodeled as of December 31, 2019, 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.

UHY LLP

Farmington Hills, Michigan
July 6, 2020

LIFE REMODELED
STATEMENTS OF FINANCIAL POSITION
December 31, 2019

ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 788,567
Accounts receivable, net	98,196
Pledge receivables, net	28,500
Prepaid expenses	13,938
Total current assets	929,201
PROPERTY AND EQUIPMENT, NET	2,801,162
Total assets	$ 3,730,363
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	$ 107,407
Accrued expenses	101,933
Deferred revenue	10,103
Fiduciary liability	46,707
Current portion of long-term debt	117,167
Security deposit	71,380
Total current liabilities	454,697
LONG-TERM LIABILITIES	
Long-term debt, net of current portion	549,500
Total liabilities	1,004,197
NET ASSETS	
Without donor restrictions	2,118,512
With donor restrictions	607,654
Total net assets	2,726,166
Total liabilities and net assets	**$ 3,730,363**

LIFE REMODELED
STATEMENTS OF ACTIVITIES
December 31, 2019

	Without donor Restrictions	With donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
In-kind contributions	$ 1,633,395	$ -	$ 1,633,395
Grants	375,000	420,000	795,000
Cash contributions	840,495	378,500	1,218,995
Rental income	447,304	-	447,304
Total revenues and other support	3,296,194	798,500	4,094,694
Net assets released from restrictions	363,846	(363,846)	-
EXPENSES			
Program services	2,808,977	-	2,808,977
Management and general	339,899	-	339,899
Fundraising	156,269	-	156,269
Total expenses	3,305,145	-	3,305,145
CHANGE IN NET ASSETS	354,895	434,654	789,549
NET ASSETS - Beginning of year	1,763,617	173,000	1,936,617
NET ASSETS - End of year	$ 2,118,512	$ 607,654	$ 2,726,166

LIFE REMODELED
STATEMENT OF FUNCTIONAL EXPENSES
December 31, 2019

	Program Services	Management and General	Fundraising	Total
Rent & parking expense	$ 1,438,019	$ 6,188	$ 6,188	$ 1,450,395
Wages-Staff	577,482	249,220	85,211	911,913
Program expense	234,151	-	-	234,151
Repairs and maintenance	134,471	-	-	134,471
Utilities	196,874	-	-	196,874
Depreciation and amortization	47,808	488	488	48,784
Community Engagement	52,192	-	-	52,192
In-kind expense	19,800	-	-	19,800
Bad debt	37,197	-	-	37,197
Insurance	34,113	19,430	1,260	54,803
Travel	2,832	26,623	8,250	37,705
Office Expense	4,448	8,127	2,231	14,806
Fundraising	-	-	33,126	33,126
Interest Expense	83	-	-	83
Marketing	-	-	11,019	11,019
Professional fees	18,750	10,300	-	29,050
Contract labor	-	2,401	6,107	8,508
Education	9,153	-	100	9,253
Dues and Subscriptions	-	10,527	2,289	12,816
Bank fee	-	6,595	-	6,595
Supplies	1,604	-	-	1,604
Total expenses	$ 2,808,977	$ 339,899	$ 156,269	$ 3,305,145

LIFE REMODELED
STATEMENTS OF CASH FLOWS
December 31, 2019

OPERATING ACTIVITIES		
Change in net assets	$	789,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind donations		(326,995)
Depreciation and amortization		48,784
Bad debt expense		37,197
Changes in assets and liabilities:		
Accounts receivable		(38,082)
Prepaid expenses		(6,016)
Accounts payable		55,722
Fiduciary liabilities		(80,019)
Accrued payroll		10,103
Other accrued liabilities		147,918
Net cash provided by operating activities		638,161
INVESTING ACTIVITIES		
Purchases of property and equipment		(1,225,606)
FINANCING ACTIVITIES		
Proceeds from long-term debt		500,000
Payment on long-term debt		(83,333)
Net cash provided by financing activities		416,667
NET CHANGE IN CASH		(170,778)
CASH, beginning of year		959,345
CASH, end of year	$	788,567
Supplemental disclosure of cash flow information		
Cash paid during period for interest	$	83
Non-cash investing activities		
In-kind donations recorded in fixed assets	$	76,995
Non-cash financing activities		
In-kind donations recorded as a reduction of payments on long-term debt	$	250,000

See notes to financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of certain accounting policies followed in the preparation of these financial statements. The policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

Organization

The Organization, licensed by the State of Michigan and formed in 2011, exists to bridge people across divides in order to help transform each other's lives - investing approximately $5 million in cash, labor and materials into one Detroit neighborhood each year. Projects are determined by the community's needs and vision. Life Remodeled partners assist in three areas: Remodeling a community asset, repairing owner occupied homes, and mobilizing 10,000 volunteers to beautify 300 city blocks in six days.

More important than the physical projects are the relationships that are formed in the process. Every phase is about people-transformation, those served and those who are serving. Relationships born of this approach are a catalyst to create transformation and sustainable neighborhoods crucial to making Detroit's revitalization permanent.

The Organization's partners will continue to work in these neighborhoods for years to come to enhance the schools, revitalize housing, increase employment opportunities, and cultivate long-term relationships, all of which enable the development of healthy and thriving communities.

The Detroit Public Schools Community District leased Life Remodeled the former Durfee Elementary Middle School building (built in 1927, containing 143,000 square-feet) for $1 per year for 50 years, and Life Remodeled has repurposed it into a community innovation center focused on entrepreneurship, employment, education, and community and renamed the property the Durfee Innovation Center.

Life Remodeled is creating a space for the best and brightest non-profit organizations and for-profit businesses to co-locate, share resources and achieve greater collective impact that will improve educational outcomes and significantly enhance neighborhood revitalization.

Basis of Accounting

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

The financial statements are prepared in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountant (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide").

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

> **Net assets without donor restrictions:** Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization management and the board of directors.
>
> **Net assets with donor restrictions:** Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consists of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature.

Use of Estimates

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The Organization adopted the ASU effective January 1, 2019.

Management performed an assessment of the Organization's revenue streams and determined that the adoption of the standard has no impact on the revenue recognition for the year ended December 31, 2019.

In August 2016, FASB issued ASU 2016-14, Presentation *of Financial Statements of Not-for-Profit Entities (Topic 958)*. This update addresses the complexity and understandability of members' equity classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization adopted the ASU on a retrospective basis.

Cash and Cash Equivalents and Concentration of Credit Risk

The Organization considers short-term highly liquid investments to be cash equivalents provided that they are both readily convertible to cash and had an original maturity of three months or less when purchased.

The Organization maintains, in certain financial institutions and with certain brokers throughout the year, cash balances which at times may exceed federally insured amounts. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges Receivable

Pledges receivable consist of unconditional promises to give that are recognized as contributions when the promise is received. All pledges receivable are initially valued at the fair value using a probability-weighted, risk adjusted discount rate method. The carrying amount of pledges receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Balances that are still outstanding after the management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to pledges receivable. Management has determined that no valuation allowance or discount is required at December 31, 2019.

Accounts Receivable / Allowance for Doubtful Accounts

Accounts receivable consists primarily of pledged contributions, grants and rent, and are stated net of an allowance for doubtful accounts. The Organization does not require collateral for its accounts receivable and all accounts are expected to be received within one year. Periodically management reviews the accounts receivable for collectability and establishes an allowance for doubtful accounts receivable. An allowance for doubtful accounts of $37,197 has been recorded as of December 31, 2019.

Property, Equipment, Depreciation and Amortization

Property and equipment are stated at cost. Expenditures for maintenance and repairs are charged to operating expenses. Adjustments of the asset and the related accumulated depreciation and amortization accounts are made for property and equipment retirements and disposals, with the resulting gain or loss included in the Statement of Activities. Depreciation and amortization is computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 39 years.

Revenue Recognition

Revenue and Support

Life Remodeled's revenue and support are reported as increases in unrestricted net assets unless use of the related assets is limited by donor-imposed or external restrictions. Gains and losses on investments and other assets are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

Contributions and special events revenue, including unconditional promises to give and grants that have been determined to be contributions, are recognized as revenues in the year received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue and Support (Continued)

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the unrestricted net asset class.

Donated Assets

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

Donated Services and Supplies

Services donated by professionals are recorded as support and expense. The services are valued at the estimated amounts that would be paid if Life Remodeled paid employees for such services. Donated supplies are recorded as support and expense at their estimated fair value when received as a donation.

In 2019 Life Remodeled had 63,637 total hours from individuals who volunteer their time and perform a variety of tasks that assist Life Remodeled with program, fundraising and administrative support. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under ASC topic Contributions.

Rental Revenue

The Organization recognizes rental revenues as they become due according to the lease. The Organization uses the straight-line method for recognizing rental revenue. Rental payments received in advance are deferred until earned. The deferred rent represents rental income recognized on a straight-line basis in excess of rental income collected according to the lease agreement. At December 31, 2019, the organization had $10,103 of deferred revenue.

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

ASC guidance regarding accounting for uncertainty in income taxes clarifies the accounting for income taxes by prescribing the minimum recognition threshold income tax position is required to meet before being recognized in the financial statements and applies to all income tax positions. Each income tax position is assessed using a two-step process. A determination is first made as to whether it is more likely than not that the income tax position will be sustained, based upon technical merits, upon examination by the taxing authorities. If the income tax position is expected to meet the more likely than not criteria, the benefit recorded in the financial statements equals the largest amount that is greater than 50% likely to be realized upon its ultimate settlement. At December 31, 2019, there were no uncertain tax positions that require accrual.

Internal Revenue Code Section 513(a) defines an unrelated trade or business of an exempt organization as any trade or business which is not substantially related to the exercise or performance of its exempt purpose. The rental revenue derived from the leased building space is considered unrelated business income. Any income tax attributable to this activity is included in program expense of the statements of functional expenses. For the year ended December 31, 2019, no income tax expense were accrued.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Expenses are allocated between program services, management and general, and fundraising activities based on the purpose of the expense. In addition, certain expenses are allocated between the functional expense classifications based on time or cost study of where efforts are made.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consists of the following as of December 31, 2019:

Pledges receivable	$ 28,500
Amounts due in:	
Less than one year	$ 8,500
One to five years	20,000
Total pledges receivable	$ 28,500

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

Leasehold improvements	$ 1,582,295
Furniture and fixtures	115,407
Construction in progress	1,186,695
	2,884,397
Accumulated depreciation and amortization	(83,235)
Property and equipment, net	$ 2,801,162

Depreciation and amortization expense was $48,784 for the year ended December 31, 2019.

NOTE 4 – ACCRUED EXPENSES

Accrued expenses consist of the following:

	December 31, 2019
Payroll	$ 43,430
Other	58,503
	$ 101,933

NOTE 5 – FIDUCIARY LIABILITY

The Organization acts in a fiduciary capacity to receive and disburse various funds for another related community organization. At December 31, 2019, the fiduciary liability was $46,707, and restricted cash related to the fiduciary was $46,707. For the year ended in December 31, 2019, total disbursement made were $80,019.

NOTE 6 – LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2019
Note payable to the Lloyd and Mabel Johnson Foundation. The note requires an interest only payment of $15,000 in October 2020 and then monthly installments of $12,500 including interest at 3% begin in November 2020, expires in October 2021.	$ 500,000
Note payable to Lisa A. Payne Family Fund of the Community Foundation for Southeast Michigan. After donating half of its original loan amount as loan repayment, the remaining loan calls annual payments of $83,334 with no interest, expires in December 2021.	166,667
	666,667
Less current portion of long-term debt	117,167
	$ 549,500

Maturities of long-term debt are as follows:

Years ended December 31,	Totals
2020	$ 117,167
2021	549,500
	$ 666,667

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Donor restricted net assets were comprised of the following as of December 31, 2019

Grantor/Donor	Restriction	Amount
L&M Johnson Foundation	2020 operating support	$ 200,000
Donors from Capital Campaign	Capital improvements	227,163
Flagstar	Construction training program	20,000
Ballmer Grant	Durfee Innovation Society	160,491
		$ 607,654

NOTE 8 – LEASE REVENUE

The Organization has entered into non-cancellable operating lease agreements to rent certain office space to unrelated entities through July 2024. Tenant rent payments range from $254 to $15,391 per month, based on the size of the suites being rented. Rental income under these agreements totaled $447,304 during the year ended December 31, 2019.

Future minimum lease payments due under these leases from unrelated parties for the next five fiscal years after December 31, 2019 are as follows:

Year ending December 31,	Amount
2020	$ 862,879
2021	709,346
2022	407,237
2023	226,553
2024	101,487
Total	$ 2,307,502

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization's financial assets as of December 31, 2019, reduced by the amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

Financial assets	
Cash	$ 788,567
Pledges receivable	28,500
Accounts receivable	98,196
Total financial assets	915,263
Amounts not available for general use	
Receivables to be collected in more than one year	(20,000)
Restriced cash on fiduciary liability	(46,707)
Donor restricted funds	(407,654)
Total amounts not available for general use	(474,361)
Financial assets available to meet general expenditures within one year	$ 440,902

NOTE 10 – BUILDING LEASES

The Organization has a lease agreement with Detroit Public Schools to rent the Durfee Elementary-Middle School for $1 per year. The lease matures in June 2037 and includes three optional renewals for ten years each. The Organization records in-kind revenue and in-kind rent expense for the difference between the fair market value of the annual lease and the amount paid. The in-kind rent related to the Durfee Building was $1,450,395 for the year ended December 31, 2019.

NOTE 11 – SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to the statement of financial position through July 6, 2020, the date the financials were available to be issued.

NOTE 11 – SUBSEQUENT EVENTS (Continued)

In December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from federal, state, and local authorities requiring forced closures of events, and the Organization has cancelled some of its planned events following those mandates. It is not currently possible to know how long these mandates will continue. As a result, these mandates could negatively impact the Organization's ticket revenues and fundraising events. Although it is not possible to reliably estimate the length or severity of this outbreak and hence its financial impact, any significant reduction in performances and events caused by COVID-19 could result in a loss of revenues and may have other materially adverse effects.

On May 4, 2020, the Organization was granted an SBA loan (the "Loan") in the aggregate amount of $130,500, pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020, and further amended by the Paycheck Protection Program Flexibility Act of 2020 (the "PPPFA"), which was enacted June 5, 2020.

The Loan requires monthly payment beginning November 2020 at an interest rate of 1.0% per annum. After 24 weeks of loan date, the Organization can apply for loan forgiveness for its eligible expenses based on SBA stipulated criteria. Any unforgiven portion of the loan is due in two years unless lender agrees to extend maturity to five years.