

LIFE REMODELED

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2020 and 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 statements of financial position as of December 31, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Board of Directors
Life Remodeled
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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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

UHY LLP

Farmington Hills, Michigan
May 25, 2021

LIFE REMODELED
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2020	2,019
ASSETS		
CURRENT ASSETS		
Cash	\$ 1,392,598	\$ 788,567
Accounts receivable, net	95,184	98,196
Pledge receivables, net	105,000	8,500
Prepaid expenses	150	13,938
	<hr/>	<hr/>
Total current assets	1,592,932	909,201
PLEDGE RECEIVABLE , net of current portion	15,000	20,000
PROPERTY AND EQUIPMENT , net	<hr/>	<hr/>
	3,423,187	2,801,162
Total assets	<hr/>	<hr/>
	\$ 5,031,119	\$ 3,730,363
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 11,114	\$ 107,407
Accrued expenses	15,065	101,933
Deferred revenue	11,181	10,103
Fiduciary liability	-	46,707
Current portion of long-term debt	-	117,167
Security deposit	80,617	71,380
	<hr/>	<hr/>
Total current liabilities	117,977	454,697
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	<hr/>	<hr/>
	-	549,500
Total liabilities	<hr/>	<hr/>
	117,977	1,004,197
NET ASSETS		
Without donor restrictions	4,480,345	2,279,003
With donor restrictions	432,797	447,163
	<hr/>	<hr/>
Total net assets	4,913,142	2,726,166
Total liabilities and net assets	<hr/>	<hr/>
	\$ 5,031,119	\$ 3,730,363

**LIFE REMODELED
STATEMENTS OF ACTIVITIES**

	Year ended December 31, 2020			Year ended December 31, 2019		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
In-kind contributions	\$ 2,175,214	\$ -	\$ 2,175,214	\$ 1,633,395	\$ -	\$ 1,633,395
Grants and contributions	1,184,483	1,639,208	2,823,691	1,415,495	598,500	2,013,995
Rental income	870,331	-	870,331	447,304	-	447,304
Total revenues and other support	<u>4,230,028</u>	<u>1,639,208</u>	<u>5,869,236</u>	<u>3,496,194</u>	<u>598,500</u>	<u>4,094,694</u>
Net assets released from restrictions	<u>1,653,574</u>	<u>(1,653,574)</u>	<u>-</u>	<u>324,337</u>	<u>(324,337)</u>	<u>-</u>
EXPENSES						
Program services	3,146,155	-	3,146,155	2,808,977	-	2,808,977
Management and general	261,964	-	261,964	339,899	-	339,899
Fundraising	274,141	-	274,141	156,269	-	156,269
Total expenses	<u>3,682,260</u>	<u>-</u>	<u>3,682,260</u>	<u>3,305,145</u>	<u>-</u>	<u>3,305,145</u>
CHANGE IN NET ASSETS	2,201,342	(14,366)	2,186,976	515,386	274,163	789,549
NET ASSETS - Beginning of year	<u>2,279,003</u>	<u>447,163</u>	<u>2,726,166</u>	<u>1,763,617</u>	<u>173,000</u>	<u>1,936,617</u>
NET ASSETS - End of year	<u>\$ 4,480,345</u>	<u>\$ 432,797</u>	<u>\$ 4,913,142</u>	<u>\$ 2,279,003</u>	<u>\$ 447,163</u>	<u>\$ 2,726,166</u>

LIFE REMODELED
STATEMENT OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2020				Year Ended December 31, 2019			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Rent & parking expense	\$ 1,438,322	\$ 6,188	\$ 6,188	\$ 1,450,698	\$ 1,438,019	\$ 6,188	\$ 6,188	\$ 1,450,395
Wages-Staff	571,432	134,061	163,762	869,255	577,482	249,220	85,211	911,913
Program expense	47,890	-	-	47,890	234,151	-	-	234,151
Repairs and maintenance	117,865	-	-	117,865	134,471	-	-	134,471
Utilities	148,763	-	-	148,763	196,874	-	-	196,874
Depreciation and amortization	106,371	-	-	106,371	47,808	488	488	48,784
Community Engagement	51,666	-	-	51,666	52,192	-	-	52,192
In-kind expense	506,480	63,888	-	570,368	19,800	-	-	19,800
Bad debt	-	-	-	-	37,197	-	-	37,197
Insurance	71,632	12,047	78	83,757	34,113	19,430	1,260	54,803
Travel	1,708	-	11,930	13,638	2,832	26,623	8,250	37,705
Office Expense	9,116	10,271	12,527	31,914	4,448	8,127	2,231	14,806
Fundraising	-	-	32,510	32,510	-	-	33,126	33,126
Interest Expense	17,472	-	-	17,472	83	-	-	83
Marketing	-	-	18,801	18,801	-	-	11,019	11,019
Professional fees	36,500	21,750	11,667	69,917	18,750	10,300	-	29,050
Contract labor	11,113	5,600	-	16,713	-	2,401	6,107	8,508
Education	1,250	1,973	-	3,223	9,153	-	100	9,253
Dues and Subscriptions	240	2,542	13,034	15,816	-	10,527	2,289	12,816
Bank fee	7,961	3,644	3,644	15,249	-	6,595	-	6,595
Supplies	374	-	-	374	1,604	-	-	1,604
Total expenses	<u>\$ 3,146,155</u>	<u>\$ 261,964</u>	<u>\$ 274,141</u>	<u>\$ 3,682,260</u>	<u>\$ 2,808,977</u>	<u>\$ 339,899</u>	<u>\$ 156,269</u>	<u>\$ 3,305,145</u>

LIFE REMODELED
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2020	2019
OPERATING ACTIVITIES		
Change in net assets	\$ 2,186,976	\$ 789,549
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind donations	(135,391)	(326,995)
Depreciation and amortization	106,371	48,784
Bad debt expense	-	37,197
Changes in assets and liabilities:		
Pledges receivable	(91,500)	-
Accounts receivable	3,012	(38,082)
Prepaid expenses	13,788	(6,016)
Accounts payable	(96,293)	55,722
Fiduciary liabilities	(46,707)	(80,019)
Deferred revenue	1,078	10,103
Security deposits	9,237	54,254
Accrued expenses	(86,868)	93,664
	1,863,703	638,161
INVESTING ACTIVITIES		
Purchases of property and equipment	(593,005)	(1,225,606)
FINANCING ACTIVITIES		
Proceeds from long-term debt	-	500,000
Payment on long-term debt	(666,667)	(83,333)
	(666,667)	416,667
NET CHANGE IN CASH	604,031	(170,778)
CASH, beginning of year	788,567	959,345
CASH, end of year	\$ 1,392,598	\$ 788,567
Supplemental disclosure of cash flow information		
Cash paid during period for interest	\$ 17,472	\$ 83
Non-cash investing activities		
In-kind donations recorded in fixed assets	\$ 135,391	\$ 76,995
Non-cash financing activities		
In-kind donations recorded as a reduction of payments on long-term debt	\$ -	\$ 250,000

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

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 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").

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

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 report 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. The Organization operations are all classified as operating activities.

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. In particular, the COVID-19 pandemic and the resulting adverse impact to global economic conditions, as well as the Organization's operations, may affect future estimate including, but not limited to, the allowance for doubtful accounts.

Cash and Concentration of Credit Risk

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. Management has deemed this as a normal business risk.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable / Allowance for Doubtful Accounts

Accounts receivable consists primarily of tenant 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 \$26,216 and \$37,197 has been recorded as of December 31, 2020 and 2019, respectively.

Pledges Receivable

Pledges receivable consist of unconditional promises to give that are recognized as contributions when the promise is received. All pledges receivable is 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, 2020 and 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 are computed using the straight-line method over the estimated useful lives of the related assets, which range from 5 to 39 years.

Revenue Recognition

Grants and Contribution

All contributions are considered to be for unrestricted use unless specifically restricted by the donor. Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received and measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Grants and Contribution (Continued)

Unconditional contributions are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Conditional promises to give, that is those with a measurable performance or other barrier, and a right of return or right of release, are not recognized until the conditions to which they depend have been substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restrictions.

Contributions received with donor-imposed restrictions that are met in the same year as received are reported as revenues of the net assets without donor restrictions.

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.

Life Remodeled had 9,690 and 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 for the years ended December 31, 2020 and 2019, respectively. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under ASC topic Contributions.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Revenue Recognition for Contracts with Customers

The Organization's revenue stream under contracts with customers is comprised of the exchange component of special events revenue transactions in which the donor and the Organization receive something of commensurate value from the special event. The Organization performs an analysis to determine the performance obligations associated with the exchange transactions, and revenue recognized when the given performance obligation is satisfied.

The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled (such as the estimated value of the items received by the donor as part of the special event).

The exchange portion and contribution portion of the special event is reported as part of the grants and contribution in the statements of activities.

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. At December 31, 2020 and 2019, the Organization had \$11,181 and \$10,103 as deferred revenue.

Income Taxes

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

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, 2020 and 2019, there were no uncertain tax positions that require accrual.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes (Continued)

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 years ended December 31, 2020 and 2019, no income tax expense were accrued.

Reclassifications

Certain items reported in the 2019 financial statements have been reclassified in order to conform to the current year presentation.

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.

Adoption of New Accounting Pronouncement

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)*. The ASU provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchanges (reciprocal transactions) and (2) determining whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities. The Organization adopted the ASU effective January 1, 2020. Management performed an assessment of the Organization's contributions and determined the adoption of the standard has no impact on the recognition of contributions for both of the years ended December 31, 2020 and 2019.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consists of the following:

	December 31,	
	<u>2020</u>	<u>2019</u>
Pledges receivable	<u>\$ 120,000</u>	<u>\$ 28,500</u>
Amounts due in:		
Less than one year	\$ 105,000	\$ 8,500
One to five years	<u>15,000</u>	<u>20,000</u>
Total pledges receivable	<u>\$ 120,000</u>	<u>\$ 28,500</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 3,394,653	\$ 1,582,295
Furniture and fixtures	218,140	115,407
Construction in progress	<u>-</u>	<u>1,186,695</u>
	3,612,793	2,884,397
Accumulated depreciation and amortization	<u>(189,606)</u>	<u>(83,235)</u>
Property and equipment, net	<u>\$ 3,423,187</u>	<u>\$ 2,801,162</u>

Depreciation and amortization expense was \$106,371 and \$48,784 for the years ended December 31, 2020 and 2019, respectively.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 4 – ACCRUED EXPENSES

Accrued expenses consists of the following:

	December 31,	
	2020	2019
Payroll	\$ 10,118	\$ 43,430
Other	4,947	58,503
	<u>\$ 15,065</u>	<u>\$ 101,933</u>

NOTE 5 – FIDUCIARY LIABILITY

The Organization acts in a fiduciary capacity to receive and disburse various funds for another related community organization. As of December 31, 2020 and 2019, the fiduciary liability was \$-0- and \$46,707, respectively. For the years ended in December 31, 2020 and 2019, total disbursement made were \$69,777 and \$80,019, respectively.

NOTE 6 – LONG-TERM DEBT

Long-term debt consisted of the following:

	December 31,	
	2020	2019
Note paid to the Lloyd and Mabel Johnson Foundation. The note required 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. Loan paid off in 2020	\$ -	\$ 500,000
Note paid 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 called annual payments of \$83,334 with no interest. Loan paid off in 2020.	-	166,667
	-	666,667
Less current portion of long-term debt	-	117,167
	<u>\$ -</u>	<u>\$ 549,500</u>

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were comprised of the following:

	December 31,	
	<u>2020</u>	<u>2019</u>
Capital Campaign	\$ 98,344	\$ 227,163
Youth Programming	91,196	-
Durfee Innovation Society	30,000	-
Six Day Project	10,000	-
Construction Training Program	3,257	20,000
Time Restricted	<u>200,000</u>	<u>200,000</u>
	<u>\$ 432,797</u>	<u>\$ 447,163</u>

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 \$15,493 per month, based on the size of the suites being rented. Rental income under these agreements totaled \$870,331 and \$447,304 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments due under these leases from unrelated parties for the next four years are as follows:

<u>Year ending December 31,</u>	<u>Amount</u>
2021	\$ 912,509
2022	555,951
2023	340,788
2024	<u>123,552</u>
Total	<u>\$ 1,932,800</u>

For the years ended December 31, 2020 and 2019, approximately 21% and 27% of base rents were provided from one tenant.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 9 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2020 and 2019, reduced by the amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

	December 31,	
	<u>2020</u>	<u>2019</u>
Financial assets		
Cash	\$ 1,392,598	\$ 788,567
Pledges receivable	120,000	28,500
Accounts receivable	<u>95,184</u>	<u>98,196</u>
Total financial assets	<u>1,607,782</u>	<u>915,263</u>
Amounts not available for general use		
Receivables to be collected in more than one year	(15,000)	(20,000)
Restricted cash on fiduciary liability	-	(46,707)
Donor restricted funds	<u>(332,797)</u>	<u>(247,163)</u>
Total amounts not available for general use	<u>(347,797)</u>	<u>(313,870)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 1,259,985</u>	<u>\$ 601,393</u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

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 \$1,450,698 and \$1,450,395 for the years ended December 31, 2020 and 2019, respectively.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2020 and 2019

NOTE 11- PROGRAM EXPENSES

Expenses for the Organization’s major program activities are as follows:

	Years December 31,	
	2020	2019
Durfee Innovation Society	\$ 2,450,425	\$ 2,144,748
Community Engagement	526,918	-
Six Day Project	125,639	575,084
Youth	36,180	-
Home Repairs	6,993	89,145
	<u>\$ 3,146,155</u>	<u>\$ 2,808,977</u>

NOTE 12 - PAYROLL PROTECTION PROGRAM (PPP)

On May 4, 2020, the Organization received a PPP refundable advance of \$130,500 under the Coronavirus Aid, Relief, and Economic Security Act. This refundable advance, which is in the form of a promissory note dated May 4, 2020, is between the Organization and CRF Small Business Loan Company, LLC, and the satisfaction of conditions of the advance are subject to review by the Small Business Administration (SBA).

The terms of the refundable advance require the Organization to meet certain conditions regarding an economic need for the advance as well as incurring qualifying expenses such as payroll costs, benefits, rent, and utilities during a 24-week period that concluded on October 19, 2020. All or a portion of the refundable advance may be recognized as contribution revenue upon meeting the conditions and the incurrence of allowable qualifying expenses. As of December 31, 2020, the Organization recorded contribution revenue of \$130,500 as it determined it had substantially met all conditions of the refundable advance.

According to the terms of the refundable advance, the Organization would be required to repay all or a portion of the refundable advance if it is later determined that it failed to meet the certain conditions. The Organization believes it has substantially met its performance obligations and applied for full forgiveness of the refundable advance. Subsequent to the year end, the Organization obtained forgiveness of the refundable advanced from the SBA in the full amount of \$130,500.

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NOTE 12 - PAYROLL PROTECTION PROGRAM (Continued)

Additionally, the application for the refundable advance required the Organization to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations of the Organization. Subsequently released guidance instructs all applicants and recipients to take into account their current business activity and the Organization's ability to access other sources of liquidity sufficient to support ongoing operations in a manner that is not significantly detrimental to their business.

The required certification made by the Organization is subject to interpretation. If, despite the good-faith belief that given the Organization's circumstances, the Organization satisfies all eligibility requirements for the refundable advance, it is later determined the Organization was ineligible to apply for and receive the funds, the Organization may be required to repay the refundable advance in its entirety and the Organization could be subject to additional penalties.

Should any portion of the refundable advance be repayable by the SBA, the Organization will record the amount of refundable advance to be repaid as a loan which carries an interest rate of 1.00% per annum, payable in monthly installments over a 2-year term. There is no prepayment penalty. The loan, if recorded, will be subject to customary provisions for a loan of this type, including customer events of default to, among other things, payment defaults and breaches of the provisions of the loan.

According to the rules of the SBA, the Organization is required to retain documentation for six years after the date the refundable advance is forgiven or repaid in full, and permit authorized representative of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgements pertaining to satisfying conditions of the refundable advance, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

NOTE 13 – SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to the statement of financial position through May 25, 2021, the date the financials were available to be issued.

On January 12, 2021, the Organization received the notification that the PPP Loan has been approved for full forgiveness by the U.S Small Business Administration.

On February 8, 2021, the Organization received a second draw under the PPP loan in the amount of \$145,300. The loan bears interest at a rate of 1% per annum and is unsecured. In addition, the loan is subject to the same forgiveness criteria as described in Note 12.