

LIFE REMODELED

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2021 and 2020

LIFE REMODELED

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
of Life Remodeled

Opinion

We have audited the accompanying financial statements of Life Remodeled (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

UHY LLP

Farmington Hills, Michigan
April 26, 2022

LIFE REMODELED
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2021	2020
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,317,589	\$ 1,392,598
Accounts receivable, net	11,414	95,184
Pledge receivables, net	7,430	105,000
Prepaid expenses	150	150
	<hr/>	<hr/>
Total current assets	2,336,583	1,592,932
PLEDGE RECEIVABLE , net of current portion	10,000	15,000
PROPERTY AND EQUIPMENT , net	3,406,946	3,423,187
	<hr/>	<hr/>
Total assets	<u>\$ 5,753,529</u>	<u>\$ 5,031,119</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 20,115	\$ 11,114
Accrued expenses	16,148	15,065
Deferred revenue	50,404	11,181
Fiduciary liability	114,375	-
Security deposits	83,275	80,617
	<hr/>	<hr/>
Total liabilities	284,317	117,977
NET ASSETS		
Without donor restrictions	5,318,988	4,480,345
With donor restrictions	150,224	432,797
	<hr/>	<hr/>
Total net assets	5,469,212	4,913,142
Total liabilities and net assets	<u>\$ 5,753,529</u>	<u>\$ 5,031,119</u>

LIFE REMODELED
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2021			Year ended December 31, 2020		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
In-kind contributions	\$ 1,553,452	\$ -	\$ 1,553,452	\$ 2,175,214	\$ -	\$ 2,175,214
Grants and contributions	1,224,918	204,286	1,429,204	1,184,483	1,639,208	2,823,691
Rental income	1,093,561	-	1,093,561	870,331	-	870,331
Interest income	1,778	-	1,778	-	-	-
Total revenues and other support	3,873,709	204,286	4,077,995	4,230,028	1,639,208	5,869,236
Net assets released from restrictions	486,859	(486,859)	-	1,653,574	(1,653,574)	-
EXPENSES						
Program services	2,982,629	-	2,982,629	3,146,155	-	3,146,155
Management and general	311,944	-	311,944	261,964	-	261,964
Fundraising	227,352	-	227,352	274,141	-	274,141
Total expenses	3,521,925	-	3,521,925	3,682,260	-	3,682,260
CHANGE IN NET ASSETS	838,643	(282,573)	556,070	2,201,342	(14,366)	2,186,976
NET ASSETS - Beginning of year	4,480,345	432,797	4,913,142	2,279,003	447,163	2,726,166
NET ASSETS - End of year	\$ 5,318,988	\$ 150,224	\$ 5,469,212	\$ 4,480,345	\$ 432,797	\$ 4,913,142

LIFE REMODELED
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2021				Year Ended December 31, 2020			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Rent in-kind expense	\$ 1,438,021	\$ 6,188	\$ 6,187	\$ 1,450,396	\$ 1,438,322	\$ 6,188	\$ 6,188	\$ 1,450,698
Wages-staff	476,177	135,119	154,012	765,308	402,735	122,180	163,762	688,677
Program expense	131,312	-	-	131,312	48,264	-	-	48,264
Repairs and maintenance	140,189	-	295	140,484	126,224	-	-	126,224
Utilities	302,794	646	-	303,440	187,405	-	-	187,405
Depreciation and amortization	132,285	-	-	132,285	106,371	-	-	106,371
Community engagement	26,942	-	-	26,942	51,666	-	-	51,666
In-kind expense	67,625	29,432	-	97,057	506,480	63,888	-	570,368
Bad debt	11,997	-	-	11,997	-	-	-	-
Insurance	85,943	3,514	-	89,457	71,632	12,047	78	83,757
Travel and meetings	4,461	9,114	8,602	22,177	1,708	-	7,126	8,834
Office expense	9,438	18,858	3,444	31,740	9,116	11,120	12,527	32,763
Fundraising event	-	-	5,343	5,343	-	-	32,510	32,510
Interest expense	15	-	-	15	17,472	-	-	17,472
Marketing	27,467	10,256	26,729	64,452	-	-	18,801	18,801
Professional fees	89,952	76,178	10,653	176,783	36,500	22,921	11,667	71,088
Contract labor	35,499	-	-	35,499	132,809	16,310	-	149,119
Education	683	12,915	69	13,667	1,250	1,973	4,804	8,027
Dues and subscriptions	1,244	9,508	9,111	19,863	240	1,693	13,034	14,967
Bank fee	585	216	2,907	3,708	7,961	3,644	3,644	15,249
Total expenses	<u>\$ 2,982,629</u>	<u>\$ 311,944</u>	<u>\$ 227,352</u>	<u>\$ 3,521,925</u>	<u>\$ 3,146,155</u>	<u>\$ 261,964</u>	<u>\$ 274,141</u>	<u>\$ 3,682,260</u>

LIFE REMODELED
STATEMENTS OF CASH FLOWS

	<u>Years Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>
OPERATING ACTIVITIES		
Change in net assets	\$ 556,070	\$ 2,186,976
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind donations	(6,000)	(135,391)
Depreciation and amortization	132,285	106,371
Bad debt expense	11,997	-
Changes in assets and liabilities:		
Pledges receivable	102,570	(91,500)
Accounts receivable	71,773	3,012
Prepaid expenses	-	13,788
Accounts payable	9,001	(96,293)
Fiduciary liabilities	114,375	(46,707)
Deferred revenue	39,223	1,078
Security deposits	2,658	9,237
Accrued expenses	1,083	(86,868)
	<u>1,035,035</u>	<u>1,863,703</u>
Net cash provided by operating activities	1,035,035	1,863,703
INVESTING ACTIVITIES		
Purchases of property and equipment	(110,044)	(593,005)
FINANCING ACTIVITIES		
Payment on long-term debt	-	(666,667)
NET CHANGE IN CASH	924,991	604,031
CASH, beginning of year	1,392,598	788,567
CASH, end of year	\$ 2,317,589	\$ 1,392,598
Supplemental disclosure of cash flow information		
Cash paid during period for interest	<u>\$ 15</u>	<u>\$ 17,472</u>
Non-cash investing activities		
In-kind donations recorded in fixed assets	<u>\$ 6,000</u>	<u>\$ 135,391</u>

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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

Largely as a result of our country’s deep and tragic history of systemic racism, many Black families in America are still not experiencing equitable access to opportunities to thrive in the areas of education, economic prosperity, and health/wellness. While Life Remodeled does not have the power to end systemic racism, we do have the ability to significantly increase equitable access to opportunities for human flourishing. To achieve this, we repurpose vacant school buildings into one stop hubs of opportunity for more Detroiters to thrive.

Life Remodeled does more than renovate iconic buildings. We fill them with the best and brightest non-profit organizations and a few amazing for-profit entrepreneurs. No one organization has the solutions to all of society’s challenges. True social impact happens when organizations work collaboratively, not only with one another, but most importantly with the students and community members who live in the communities where we serve.

Each year Life Remodeled also repairs owner-occupied homes by providing hard-working families with the options to receive a new roof, furnace or windows free of charge, and we mobilize thousands of volunteers to remove blight and beautify four square miles in only six days.

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, 2021 and 2020

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, 2021 and 2020

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 \$38,213 and \$26,216 has been recorded as of December 31, 2021 and 2020, 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, 2021 and 2020.

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.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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 16,648 and 9,690 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, 2021 and 2020, respectively. These donated services were not recognized in the financial statements because they did not meet the criteria for recognition under ASC topic Contributions.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020, the Organization had \$50,404 and \$11,181 as deferred revenue, respectively.

Income Taxes

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC"). In addition, the Organization qualifies for charitable contribution deductions under IRC Section 170(b)(1)(A) and has been classified as a supporting organization other than a private foundation under Section 509(a)(2).

Although the Organization has been granted income tax exemption by the Internal Revenue Service, such exemption does not apply to "unrelated business taxable income" under IRC Section 513(a). The Organization believes that it has been operating within tax exempt status and has no unrelated business income.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

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, 2021 and 2020, there were no uncertain tax positions that require accrual.

Reclassifications

Certain items reported in the 2020 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, 2021 and 2020.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position through April 26, 2022, the date the financials were available to be issued.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consists of the following:

	December 31,	
	<u>2021</u>	<u>2020</u>
Pledges receivable	<u>\$ 17,430</u>	<u>\$ 120,000</u>
Amounts due in:		
Less than one year	\$ 7,430	\$ 105,000
One to five years	<u>10,000</u>	<u>15,000</u>
Total pledges receivable	<u>\$ 17,430</u>	<u>\$ 120,000</u>

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	December 31,	
	<u>2021</u>	<u>2020</u>
Leasehold improvements	\$ 3,492,465	\$ 3,394,653
Furniture and fixtures	231,118	218,140
Construction in progress	<u>5,254</u>	<u>-</u>
	3,728,837	3,612,793
Accumulated depreciation and amortization	<u>(321,891)</u>	<u>(189,606)</u>
Property and equipment, net	<u>\$ 3,406,946</u>	<u>\$ 3,423,187</u>

Depreciation and amortization expense was \$132,285 and \$106,371 for the years ended December 31, 2021 and 2020, respectively.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 4 – ACCRUED EXPENSES

Accrued expenses consists of the following:

	December 31,	
	2021	2020
Payroll	\$ -	\$ 10,118
Other	16,148	4,947
	<u>\$ 16,148</u>	<u>\$ 15,065</u>

NOTE 5 – FIDUCIARY LIABILITY

The Organization acts in a fiduciary capacity to receive and disburse various funds for community organizations. As of December 31, 2021 and 2020, the fiduciary liability was \$114,375 and \$-0-, respectively. For the years ended in December 31, 2021 and 2020, total disbursement made were \$35,625 and \$69,777, respectively.

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were comprised of the following:

	December 31,	
	2021	2020
Youth Programming	\$ 25,224	\$ 91,196
Durfee Innovation Society	25,000	30,000
Six Day Project	-	10,000
Capital Campaign	-	98,344
Construction Training Program	-	3,257
Time Restricted	100,000	200,000
	<u>\$ 150,224</u>	<u>\$ 432,797</u>

NOTE 7 – 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 \$439 to \$17,106 per month, based on the size of the suites being rented. Rental income under these agreements totaled \$1,093,561 and \$870,331 for the years ended December 31, 2021 and 2020, respectively.

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NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 7 – LEASE REVENUE (Continued)

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

<u>Year ending December 31,</u>	<u>Amount</u>
2022	\$ 707,104
2023	421,395
2024	150,691
Total	<u>\$ 1,279,190</u>

For the years ended December 31, 2021 and 2020, approximately 18% and 21% of base rents were provided from one tenant.

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2021 and 2020, reduced by the amounts not available for general use within one year due to contractual or donor-imposed restrictions or internal designations.

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Financial assets		
Cash	\$ 2,317,589	\$ 1,392,598
Pledges receivable	17,430	120,000
Accounts receivable	11,414	95,184
Total financial assets	<u>2,346,433</u>	<u>1,607,782</u>
Amounts not available for general use		
Receivables to be collected in more than one year	(10,000)	(15,000)
Restricted cash on fiduciary liability	(114,375)	-
Donor restricted funds	(50,224)	(332,797)
Total amounts not available for general use	<u>(174,599)</u>	<u>(347,797)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,171,834</u>	<u>\$ 1,259,985</u>

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 8 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

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 9 – 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 and \$1,450,698 for the years ended December 31, 2021 and 2020, respectively.

NOTE 10- PROGRAM EXPENSES

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

	<u>Years December 31,</u>	
	<u>2021</u>	<u>2020</u>
Durfee Innovation Society	\$ 2,580,862	\$ 2,450,425
Community Engagement	172,586	526,918
Six Day Project	140,682	125,639
Youth	88,499	36,180
Home Repairs	-	6,993
	<u>\$ 2,982,629</u>	<u>\$ 3,146,155</u>

NOTE 11 – PAYROLL PROTECTION PROGRAM

The Organization received a PPP refundable advances of \$145,300 and \$130,500 for the years ended December 31, 2021 and 2020, respectively under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). These refundable advances, which are in the form of a promissory note, are 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).

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NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 11 - PAYROLL PROTECTION PROGRAM (Continued)

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. 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, 2021 and 2020, the Organization recorded contribution revenue of \$145,300 and \$130,500, respectively, as it determined it had substantially met all conditions of the refundable advances.

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. The Organization obtained forgiveness of the refundable advances from SBA in the full amount of \$145,300 on November 5, 2021, and \$130,500 on January 12, 2021.

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 statement.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2021 and 2020

NOTE 12 – EMPLOYEE RETENTION CREDIT

The CARES Act contains a business relief provision, known as the Employee Retention Credit Program (ERC) to encourage businesses to keep employees on their payroll. The ERC provides refundable credit to eligible employers, including tax-exempt organizations, that pay qualified wages, including certain health plan expenses, to some or all employees. The Organization qualified for these credits and earned approximately \$85,000 in payroll tax credits for the year ended December 31, 2021. The amounts are included in grants and contributions on the statement of activities.