

LIFE REMODELED

AUDITED FINANCIAL STATEMENTS

Years ended December 31, 2022 and 2021

LIFE REMODELED

TABLE OF CONTENTS

	Page
Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7

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, 2022 and 2021, 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, 2022 and 2021, 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 27, 2023

LIFE REMODELED
STATEMENTS OF FINANCIAL POSITION

	December 31,	
	2022	2021
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,822,583	\$ 2,317,589
Accounts receivable, net	28,795	11,414
Pledge receivables, net	7,500	7,430
Prepaid expenses	9,959	150
Total current assets	2,868,837	2,336,583
PLEDGE RECEIVABLE , net of current portion	5,000	10,000
PROPERTY AND EQUIPMENT , net	3,335,680	3,406,946
Total assets	<u>\$ 6,209,517</u>	<u>\$ 5,753,529</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$ 45,466	\$ 20,115
Accrued expenses	10,544	16,148
Deferred revenue	13,290	50,404
Fiduciary liability	-	114,375
Security deposits	79,721	83,275
Total liabilities	149,021	284,317
NET ASSETS		
Without donor restrictions	5,839,059	5,318,988
With donor restrictions	221,437	150,224
Total net assets	6,060,496	5,469,212
Total liabilities and net assets	<u>\$ 6,209,517</u>	<u>\$ 5,753,529</u>

LIFE REMODELED
STATEMENTS OF ACTIVITIES

	Year ended December 31, 2022			Year ended December 31, 2021		
	Without donor Restrictions	With donor Restrictions	Total	Without donor Restrictions	With donor Restrictions	Total
REVENUES AND OTHER SUPPORT						
In-kind contributions	\$ 1,570,740	\$ -	\$ 1,570,740	\$ 1,553,452	\$ -	\$ 1,553,452
Grants and contributions	1,166,438	503,650	1,670,088	1,224,918	204,286	1,429,204
Rental income	1,113,045	-	1,113,045	1,078,406	-	1,078,406
Interest income	10,356	-	10,356	1,778	-	1,778
Other income	32,500	-	32,500	15,155	-	15,155
Total revenues and other support	<u>3,893,079</u>	<u>503,650</u>	<u>4,396,729</u>	<u>3,873,709</u>	<u>204,286</u>	<u>4,077,995</u>
Net assets released from restrictions	<u>432,437</u>	<u>(432,437)</u>	<u>-</u>	<u>486,859</u>	<u>(486,859)</u>	<u>-</u>
EXPENSES						
Program services	3,171,575	-	3,171,575	2,982,629	-	2,982,629
Management and general	335,773	-	335,773	311,944	-	311,944
Fundraising	298,097	-	298,097	227,352	-	227,352
Total expenses	<u>3,805,445</u>	<u>-</u>	<u>3,805,445</u>	<u>3,521,925</u>	<u>-</u>	<u>3,521,925</u>
CHANGE IN NET ASSETS	520,071	71,213	591,284	838,643	(282,573)	556,070
NET ASSETS - Beginning of year	<u>5,318,988</u>	<u>150,224</u>	<u>5,469,212</u>	<u>4,480,345</u>	<u>432,797</u>	<u>4,913,142</u>
NET ASSETS - End of year	<u>\$ 5,839,059</u>	<u>\$ 221,437</u>	<u>\$ 6,060,496</u>	<u>\$ 5,318,988</u>	<u>\$ 150,224</u>	<u>\$ 5,469,212</u>

LIFE REMODELED
STATEMENTS OF FUNCTIONAL EXPENSES

	Year Ended December 31, 2022				Year Ended December 31, 2021			
	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	\$ 1,438,021	\$ 6,188	\$ 6,187	\$ 1,450,396
Wages-staff	515,009	146,472	214,127	875,608	476,177	135,119	154,012	765,308
Program expense	215,480	-	-	215,480	131,312	-	-	131,312
Repairs and maintenance	136,893	-	-	136,893	140,189	-	295	140,484
Utilities	310,378	1,861	-	312,239	302,794	646	-	303,440
Depreciation and amortization	134,597	-	-	134,597	132,285	-	-	132,285
Community engagement	30,576	-	-	30,576	26,942	-	-	26,942
In-kind expense	86,206	9,139	-	95,345	67,625	29,432	-	97,057
Bad debt	11,345	-	-	11,345	11,997	-	-	11,997
Insurance	87,623	2,795	-	90,418	85,943	3,514	-	89,457
Travel and meetings	2,869	23,937	18,717	45,523	4,461	9,114	8,602	22,177
Office expense	7,014	39,783	4,614	51,411	9,438	18,858	3,444	31,740
Fundraising event	-	-	-	-	-	-	5,343	5,343
Interest expense	-	-	-	-	15	-	-	15
Marketing	17,562	19,748	44,030	81,340	27,467	10,256	26,729	64,452
Professional fees	115,723	42,859	-	158,582	89,952	76,178	10,653	176,783
Contract labor	60,444	-	-	60,444	35,499	-	-	35,499
Education	1,444	33,673	695	35,812	683	12,915	69	13,667
Dues and subscriptions	200	9,058	5,000	14,258	1,244	9,508	9,111	19,863
Bank fee	191	260	4,727	5,178	585	216	2,907	3,708
Total expenses	<u>\$ 3,171,575</u>	<u>\$ 335,773</u>	<u>\$ 298,097</u>	<u>\$ 3,805,445</u>	<u>\$ 2,982,629</u>	<u>\$ 311,944</u>	<u>\$ 227,352</u>	<u>\$ 3,521,925</u>

LIFE REMODELED
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
OPERATING ACTIVITIES		
Change in net assets	\$ 591,284	\$ 556,070
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
In-kind donations	(25,000)	(6,000)
Depreciation and amortization	134,597	132,285
Bad debt expense	11,345	11,997
Changes in assets and liabilities:		
Pledges receivable	4,930	102,570
Accounts receivable	(28,726)	71,773
Prepaid expenses	(9,809)	-
Accounts payable	25,351	9,001
Fiduciary liabilities	(114,375)	114,375
Deferred revenue	(37,114)	39,223
Security deposits	(3,554)	2,658
Accrued expenses	(5,604)	1,083
Net cash provided by operating activities	543,325	1,035,035
INVESTING ACTIVITIES		
Purchases of property and equipment	(38,331)	(110,044)
NET CHANGE IN CASH	504,994	924,991
CASH , beginning of year	2,317,589	1,392,598
CASH , end of year	\$ 2,822,583	\$ 2,317,589
Supplemental disclosure of cash flow information		
Cash paid during period for interest	\$ -	\$ 15
Non-cash investing activities		
In-kind donations recorded in fixed assets	\$ 25,000	\$ 6,000

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

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

There's a lot of talk but not enough walk when it comes to revitalizing Detroit neighborhoods. Life Remodeled ("Organization") believes Detroiters have all the talent they need, but many don't have access to all the opportunities they deserve. Therefore, we repurpose vacant properties into one stop hubs of opportunity for entire families to thrive. We fill these spaces with the best and brightest nonprofit organizations who are providing youth programs, workforce development, and human services to tens of thousands of students and community members each year. We help our nonprofit tenants collaborate and create far greater life transformation together than was previously possible alone. Together, we ensure three things:

1. Detroit students perform at or above grade level in math and reading
2. Families have access to essential health and wellness services
3. Community members obtain higher paying jobs and achieve economic self-sufficiency

In addition, each year we mobilize thousands of volunteers over six days to beautify Detroit neighborhoods, and we help guide nonprofits to increase lasting impact and build dream teams.

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, 2022 and 2021

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.

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, 2022 and 2021

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 \$11,345 and \$38,213 has been recorded as of December 31, 2022 and 2021, 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, 2022 and 2021.

Property, Equipment, Depreciation and Amortization

Property and equipment are stated at cost, if purchased; or at fair value at the date of the gift, if donated. 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, 2022 and 2021

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.

Contributed Non-Financial Assets, Services and Facility

Businesses, individuals, and others contribute materials and services toward the fulfillment of programs, fundraising campaigns and general managerial administration. To the extent that contributions of material and services are objectively measurable and represent program or support expenditures that would otherwise be incurred by the Organization, they are reflected in program services, management and general, and fundraising expenses in the statement of activities. Donated materials and services are recorded at the fair market value upon receipt. Donated facility is based on current market rates for rental facilities. For contributed asset that does not allow the Organization to utilize it in its normal course of business, the asset will be sold at its fair market value as determined by appraisal or specialist depending on the type of asset.

The Organization also had 25,805 and 16,648 total hours from individuals who volunteer their time and perform a variety of tasks that assist with programs, fundraising and administrative support for the years ended December 31, 2022 and 2021, 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, 2022 and 2021

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 revenue from the Next Level Nonprofit program and the ticket sales revenue received in conjunction with special events. The Organization performs an analysis to determine if the revenue from the Next Level Nonprofit program and ticket sales from special event constitute separate performance obligations. This is determined by when the customer can obtain substantial benefit from the service or the performance of the service is complete. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled (such as fee for the Next Level Nonprofit and price of ticket for events). The following explains the performance obligations related to each revenue stream and how they are recognized.

Fee for Next Level Nonprofit program – The Organization recognized the fee when all goods and services are transferred at a point in time as services are performed. For the years ended December 31, 2022 and 2021, fees were \$25,000 and \$0-, respectively. The fee for the program is reported as part of the other income in the statements of activities.

Special Events – The Organization recognized special event ticket sales at the time the event occurs. The exchange portion and contribution portion of the special event is reported as part of the grants and contribution in the statements of activities. There were no special event for the years ended December 31, 2022 and 2021.

The fee for Next Level Nonprofit program and special events do not contain variable consideration. In some situations, the Organization bills the customers and collects cash prior to the satisfaction of the performance obligation, which results in the Organization recognizing contract liabilities upon receipt of payment. There were no contract liabilities and receivables related to contracts with customers for the years ended December 31, 2022 and 2021.

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, 2022 and 2021, the Organization had \$13,290 and \$50,404 as deferred revenue, respectively.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2022 and 2021, there were no uncertain tax positions that require accrual.

Reclassifications

Certain items reported in the 2021 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.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Adoption of New Accounting Pronouncement

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The standard requires nonprofits to expand their financial statement presentation and disclosure of contributed nonfinancial assets, including in-kind contributions. The standard includes disclosure of information on an entity’s policies on contributed nonfinancial assets about monetization and utilization during the reporting period, information on donor-imposed restrictions, and valuation techniques. The new standard, as amended, is to be applied retrospectively, to annual reporting periods beginning after June 15, 2021. The Organization adopted the ASU 2020-07 effective January 1, 2022. Accordingly, the Organization has updated its financial presentation and disclosures as necessary.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The standard requires an entity to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangement. The new standard is to be applied retrospectively to annual report periods beginning after December 15, 2021. The Organization adopted the ASU 2016-02 effective January 1, 2022. Management performed an assessment of the Organization’s leases and determined the adoption of the standard had no impact on net assets.

Subsequent Events

The Organization has performed a review of events subsequent to the statement of financial position through April 27, 2023, the date the financials were available to be issued.

NOTE 2 – PLEDGES RECEIVABLE

Pledges receivable consists of the following:

	December 31,	
	2022	2021
Pledges receivable	\$ 12,500	\$ 17,430
Amounts due in:		
Less than one year	\$ 7,500	\$ 7,430
One to five years	5,000	10,000
Total pledges receivable	\$ 12,500	\$ 17,430

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 3 – PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Leasehold improvements	\$ 3,492,465	\$ 3,492,465
Furniture and fixtures	237,587	231,118
Construction in progress	<u>62,116</u>	<u>5,254</u>
	3,792,168	3,728,837
Accumulated depreciation and amortization	<u>(456,488)</u>	<u>(321,891)</u>
Property and equipment, net	<u><u>\$ 3,335,680</u></u>	<u><u>\$ 3,406,946</u></u>

Depreciation and amortization expense was \$134,597 and \$132,285 for the years ended December 31, 2022 and 2021, respectively.

NOTE 4 – FIDUCIARY LIABILITY

The Organization acts in a fiduciary capacity to receive and disburse various funds for community organizations. As of December 31, 2022 and 2021, the fiduciary liability was \$-0- and \$114,375, respectively. For the years ended in December 31, 2022 and 2021, total disbursement made were \$114,375 and \$35,625, respectively.

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were comprised of the following:

	December 31,	
	<u>2022</u>	<u>2021</u>
Dexter Façade	\$ 171,950	\$ -
Peer Mentorship	16,837	-
Home Repairs	14,650	-
Youth Programming	8,000	25,224
Durfee Innovation Society	5,000	25,000
Next Level Nonprofit Workshop	5,000	-
Time Restricted	<u>-</u>	<u>100,000</u>
	<u><u>\$ 221,437</u></u>	<u><u>\$ 150,224</u></u>

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 6 – LEASE REVENUE

The lease revenue is included in the statement of activities as part of the operating income. Cash receipts from operating leases are classified within cash flows from operating activities. After its repurpose and rehabilitation, the Organization subleases the original vacate school building that is being leased with DPSCD as discussed in Notes 8 and 12. The Organization does not own the building.

The Organization rent office spaces under non-cancellable operating lease agreements to unrelated entities through January 2027. Tenant rent payments range from \$254 to \$13,473 per month, based on the size of the suites being rented. Rental income under these agreements totaled \$1,113,045 and \$1,078,406 for the years ended December 31, 2022 and 2021, respectively. For both years ended December 31, 2022 and 2021, approximately 18% of base rents were provided from one tenant.

The following is an analysis of the carrying amounts of the underlying assets related to the building lease revenue:

	December 31,	
	2022	2021
Leasehold improvements	\$ 3,492,465	\$ 3,492,465
Furniture and fixtures	88,063	88,063
	<u>3,580,528</u>	<u>3,580,528</u>
Accumulated depreciation and amortization	<u>367,539</u>	<u>258,577</u>
Total cost, net	<u><u>\$ 3,212,989</u></u>	<u><u>\$ 3,321,951</u></u>

Future undiscounted minimum lease payments due under operating lease agreements for the next five years are as follows:

Year ending December 31,	Amount
2023	\$ 873,672
2024	478,523
2025	134,099
2026	15,465
2027	1,289
Total	<u><u>\$ 1,503,048</u></u>

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 7 – LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Organization’s financial assets as of December 31, 2022 and 2021, 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>2022</u>	<u>2021</u>
Financial assets		
Cash	\$ 2,822,583	\$ 2,317,589
Pledges receivable	12,500	17,430
Accounts receivable	<u>28,795</u>	<u>11,414</u>
Total financial assets	<u>2,863,878</u>	<u>2,346,433</u>
Amounts not available for general use		
Receivables to be collected in more than one year	(5,000)	(10,000)
Restricted cash on fiduciary liability	-	(114,375)
Donor restricted funds	<u>(221,437)</u>	<u>(50,224)</u>
Total amounts not available for general use	<u>(226,437)</u>	<u>(174,599)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 2,637,441</u>	<u>\$ 2,171,834</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 8 – BUILDING LEASES

The Organization has a lease agreement with Detroit Public School Community District (DPSCD) 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 both years ended December 31, 2022 and 2021.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 9- PROGRAM EXPENSES

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

	Years December 31,	
	2022	2021
Durfee Innovation Society	\$ 2,557,587	\$ 2,580,862
Six Day Beautification Project	261,670	140,682
Program Expansion	158,126	-
Community Engagement	107,737	172,586
Youth	82,982	88,499
Dexter Façade	3,050	-
Other	423	-
	<u>\$ 3,171,575</u>	<u>\$ 2,982,629</u>

NOTE 10 – PAYROLL PROTECTION PROGRAM

The Organization had PPP refundable advances of \$-0- and \$145,300 for the years ended December 31, 2022 and 2021, respectively under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). These refundable advances, which were in the form of promissory notes, were between the Organization and CRF Small Business Loan Company, LLC, and the satisfaction of conditions of the advance were subject to review by the Small Business Administration (SBA).

In November 2021, the loan was forgiven by the SBA, as the Organization was deemed to have met substantially all conditions of PPP loan, including its eligibilities and allowable qualified expenses. For the years ended December 31, 2022 and 2021, the Organization recorded contribution revenue of \$-0- and \$145,300, respectively.

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, 2022 and 2021

NOTE 11 – 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 \$187,419 and \$85,000 in payroll tax credits for the years ended December 31, 2022 and 2021, respectively.

NOTE 12 – CONDITIONAL PROMISE

During the year ended December 31, 2022, Invest Detroit Foundation (IDF) conditionally promised to give \$350,000 to solely support the rehabilitation of eight (8) facades along the Dexter corridor, between Davidson and Webb, in Detroit, Michigan. IDF's condition that the amount will be disbursed in the following manner: a) \$175,000 upon receipt of the full executed agreement and b) \$175,000 upon Organization's request of the funds but only after IDF has had the opportunity to review and approve Organization's successful deployment of the first tranche of funding. As of December 31, 2022, Organization received first \$175,000 disbursement from IDF and recorded as contribution revenue for the year ended December 31, 2022. Since the remaining \$175,000 payment represents conditional promise to give, it is not recorded as contribution revenue until donor conditions are met.

As discussed in Note 8, the Organization has an existing conditional promise to receive in-kind rent from DPSCD. A condition of the DPSCD lease is that the Organization must sub-lease the facility to organizations that provide benefits and opportunities in the community. If the Organization fails to use the facility for purposes required by the lease, an event of default on the lease will occur. The Organization recognizes the fair value of the in-kind use of facilities as both revenue and expense in the period it is received and used.

NOTE 13 – CONTRIBUTED NON-FINANCIAL ASSETS, SERVICES AND FACILITY

The Organization recognized contributed nonfinancial assets within revenue, including contributed leasehold improvements, equipment, food, fuel, office supplies, beautification supplies, waste removal and services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions and able to be used by the Organization as determined by the board of directors and management.

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 13 – CONTRIBUTED NON-FINANCIAL ASSETS, SERVICES AND FACILITY
(Continued)

The following table presents the contributed nonfinancial assets and services measured at fair value for the years ended December 31, 2022 and 2021:

	December 31, 2022	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Rent	\$ 1,450,395	General and Administrative and Durfee Innovation Society	No associated donor restrictions	Estimated the fair value based on usable square footage of the facility multiplied by the fair market value of the lease rate per square footage.
Waste Removal	39,679	Six Day Beautification Project	No associated donor restrictions	Estimated the fair value of waste removal services based on standard retail pricing of dumpster use and removal.
Professional Services	26,953	Program Expansion and General administrative	No associated donor restrictions	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.
Leasehold Improvements	25,000	Solar Panel for Durfee Innovation Society	No associated donor restrictions	Estimated the fair value of the solar panel installation based on labor and material rates for a similar installation.
Food	11,575	Six Day Beautification Project	No associated donor restrictions	Estimated the fair value based on retail prices of contributed food.
Equipment	10,588	General and Administrative and Community Engagement	No associated donor restrictions	Estimated the fair value based on retail prices of printer rental, printer services calls, toner cartridges, and refrigerators.
Fuel	6,550	Six Day Beautification Project	No associated donor restrictions	Estimated the fair value based on average gas and diesel price during the month of donation.
	<u>\$ 1,570,740</u>			

LIFE REMODELED
NOTES TO FINANCIAL STATEMENTS
December 31, 2022 and 2021

NOTE 13 – CONTRIBUTED NONFINANCIAL ASSETS (Continued)

	December 31, 2021	Utilization in Programs/Activities	Donor Restrictions	Valuation Techniques and Inputs
Rent	\$ 1,450,395	General and Administrative and Durfee Innovation Society	No associated donor restrictions	Estimated the fair value based on usable square footage of the facility multiplied by the fair market value of the lease rate per square footage.
Professional Services	47,159	Program Expansion and General and Administrative	No associated donor restrictions	Contributed services from attorneys and management consulting are valued at the estimated fair value based on current rates for similar legal and management consulting services.
Office Supplies	15,840	General and Administrative	No associated donor restrictions	Estimated the fair value based on retail prices of hand sanitizer.
Youth Program Supplies	12,908	Youth Programming	No associated donor restrictions	Estimated the fair value based on retail prices of tickets and gifts purchased.
Facility Maintenance	9,216	Durfee Innovation Society	No associated donor restrictions	Estimated the fair value based on actual retail pricing of paint.
Waste Removal	8,338	Six Day Beautification Project	No associated donor restrictions	Estimated the fair value of waste removal services based on standard retail pricing of dumpster use and removal.
Leasehold Improvements	6,000	Durfee Innovation Society	No associated donor restrictions	Estimated the fair value of the lighting installation based on labor and material rates for a similar installation.
Equipment	2,596	General and Administrative and Community Engagement	No associated donor restrictions	Estimated the fair value based on retail prices of Chromebooks.
Beautification Supplies	1,000	Six Day Beautification Project	No associated donor restrictions	Estimated the fair value based on actual retail pricing of supplies purchased by donor.
	<u>\$ 1,553,452</u>			