CENTRAL DETROIT CHRISTIAN COMMUNITY DEVELOPMENT CORPORATION

Detroit, Michigan

CONSOLIDATED FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Years Ended December 31, 2018 and 2017

CENTRAL DETROIT CHRISTIAN COMMUNITY DEVELOPMENT CORPORATION

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As of and for the Years Ended December 31, 2018 and 2017

INDEPENDENT AUDITORS' REPORT

Board of Directors
Central Detroit Christian Community Development Corporation
Detroit, Michigan

We have audited the accompanying consolidated financial statements of Central Detroit Christian Community Development Corporation (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the related consolidated statements of activities, cash flows and functional expenses 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 consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2018 and 2017, 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.

Emphasis-of-Matter

As discussed in Note 1 to the consolidated financial statements, the Organization adopted Accounting Standards Update ("ASU") No. 2016-14*, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Our opinion is not modified with respect to that matter.

Baker Tilly Virchow Krause, LLP

Southfield, Michigan
March 21, 2019

CENTRAL DETROIT CHRISTIAN COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As of December 31, 2018 and 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 468,086	$ 449,155
Accounts receivable, net	74,323	102,844
Grants receivable	114,175	259,808
Current portion of land contracts receivable	15,585	31,673
Inventories	1,622	69
Total Current Assets	673,791	843,549
LONG-TERM ASSETS		
Loans receivable from related parties	-	20,803
Land contracts receivable, net of current portion	24,601	58,239
Investment in Casamira	1,815,773	101,474
Assets held for sale	607,884	382,178
Property and equipment, net	9,600,951	9,539,203
Total Long-Term Assets	12,049,209	10,101,897
TOTAL ASSETS	$ 12,723,000	$ 10,945,446

LIABILITIES AND NET ASSETS

	2018	2017
CURRENT LIABILITIES		
Accounts payable	$ 74,326	$ 41,524
Line of credit	47,458	87,135
Accrued expenses	87,940	145,073
Property taxes payable	12,786	10,746
Current portion of long-term debt	64,590	73,713
Total Current Liabilities	287,100	358,191
LONG-TERM LIABILITIES		
Long-term debt, net of current portion	1,321,219	1,293,112
Total Liabilities	1,608,319	1,651,303
NET ASSETS		
Without donor restrictions		
Controlling interest	5,599,871	3,114,430
Non-controlling interest	494,576	538,882
Total net assets without donor restrictions	6,094,447	3,653,312
With donor restrictions	5,020,234	5,640,831
Total Net Assets	11,114,681	9,294,143
TOTAL LIABILITIES AND NET ASSETS	$ 12,723,000	$ 10,945,446

See accompanying notes to consolidated financial statements.

CENTRAL DETROIT CHRISTIAN COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF ACTIVITIES
For the Years Ended December 31, 2018 and 2017

	Without Donor Restrictions	With Donor Restrictions	2018 Total	Without Donor Restrictions	With Donor Restrictions	2017 Total
PUBLIC SUPPORT						
Grants and contributions	$ 2,025,092	$ 886,622	$ 2,911,714	$ 948,733	$ 1,226,662	$ 2,175,395
In-kind contributions	7,856	27,600	35,456	73,228	-	73,228
Rental income	298,594	-	298,594	215,658	-	215,658
Sales of services	120,099	-	120,099	109,650	-	109,650
Tuition revenue	191,021	-	191,021	9,114	-	9,114
Gain (loss) on sale of property held for sale	44,905	-	44,905	(78,746)	-	(78,746)
Other	9,999	-	9,999	-	-	-
Construction income	876,497	-	876,497	-	-	-
Net assets released from restriction	1,534,819	(1,534,819)	-	1,241,651	(1,241,651)	-
Total Public Support	5,108,882	(620,597)	4,488,285	2,519,288	(14,989)	2,504,299
EXPENSES						
Program	2,415,326	-	2,415,326	2,160,521	-	2,160,521
Management and general	229,045	-	229,045	225,948	-	225,948
Fundraising	23,376	-	23,376	49,628	-	49,628
Total Expenses	2,667,747	-	2,667,747	2,436,097	-	2,436,097
CHANGE IN NET ASSETS	2,441,135	(620,597)	1,820,538	83,191	(14,989)	68,202
NET ASSETS - Beginning of Year	3,653,312	5,640,831	9,294,143	3,570,121	5,655,820	9,225,941
NET ASSETS - END OF YEAR	$ 6,094,447	$ 5,020,234	$ 11,114,681	$ 3,653,312	$ 5,640,831	$ 9,294,143

See accompanying notes consolidated to financial statements.

CENTRAL DETROIT CHRISTIAN COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 1,820,538	$ 68,202
Adjustments to reconcile change in net assets to net cash flows from operating activities		
Depreciation	564,246	478,499
Bad debt expense	6,933	6,439
(Gain) loss on property held for sale	(44,905)	78,746
Loss on sale of property and equipment	(3,050)	5,362
Changes in assets and liabilities		
Accounts receivable, net	21,588	(87,031)
Grants receivable	145,633	(244,628)
Land contracts receivable	49,726	(58,239)
Loans receivable from related parties	20,803	38,000
Inventories	(1,553)	-
Accounts payable	32,802	13,956
Accrued expenses	(57,133)	70,527
Property taxes payable	2,040	(13,962)
Net Cash Flows from Operating Activities	2,557,668	355,871
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of assets held for sale	(343,990)	(177,481)
Proceeds from sale of assets held for sale	163,189	88,045
Purchases of property and equipment	(622,944)	(1,420,409)
Proceeds from sale of property and equipment	-	118,924
Purchases of investment in Casamira	(1,714,299)	-
Net Cash Flows from Investing Activities	(2,518,044)	(1,390,921)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	76,075	1,194,080
Repayments of long-term debt	(57,091)	(213,826)
Net change in line of credit	(39,677)	9,025
Net Cash Flows from Financing Activities	(20,693)	989,279
Net Change in Cash and Cash Equivalents	18,931	(45,771)
CASH AND CASH EQUIVALENTS - Beginning of Year	449,155	494,926
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 468,086	$ 449,155

Supplemental cash flow disclosure

	2018	2017
Cash paid for interest	$ 76,445	$ 54,743

See accompanying notes to consolidated financial statements.

CENTRAL DETROIT CHRISTIAN COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	Program	Management and General	Fundraising	Total
Accounting	$ 15,475	$ 46,425	$ -	$ 61,900
Administration	-	1,891	-	1,891
Auto insurance	10,144	-	-	10,144
Bad debt expense	6,933	-	-	6,933
Bank service charges	-	3,805	-	3,805
Beautification	47,018	-	-	47,018
Benevolence	3,830	-	-	3,830
Consulting	4,575	-	2,500	7,075
Contract labor	130,100	-	-	130,100
Cost of goods sold	25,183	-	-	25,183
Depreciation	498,104	66,142	-	564,246
Donation	17,671	-	-	17,671
Dues and memberships	1,381	4,144	-	5,525
Events	-	-	17,028	17,028
Fiduciary program	47,910	-	-	47,910
Fines and penalties	2,860	-	-	2,860
Garden	4,232	-	-	4,232
General and liability insurance	45,265	11,122	-	56,387
Groundskeeping	14,767	2,142	-	16,909
Health insurance	12,501	-	-	12,501
Interest	57,334	19,111	-	76,445
Legal fees	2,820	2,155	-	4,975
Licenses and permits	5,610	1,038	-	6,648
Maintenance and repairs	99,348	14,840	-	114,188
Marketing	2,568	-	3,145	5,713
Office supplies	7,902	4,188	-	12,090
Payroll and payroll taxes	954,213	36,392	-	990,605
Postage and delivery	1,406	703	703	2,812
Printing and reproduction	4,954	4,224	-	9,178
Professional fees	39,303	1,532	-	40,835
Program supplies	39,397	-	-	39,397
Property taxes	92,914	-	-	92,914
Rent	1,590	-	-	1,590
Sales taxes	229	-	-	229
Small equipment rental	21,739	-	-	21,739
Staff meetings supplies	4,155	-	-	4,155
Staff travel	511	-	-	511
Summer programs	33,840	-	-	33,840
Telephone	8,063	-	-	8,063
Training	8,993	-	-	8,993
Training stipends	9,350	-	-	9,350
Transportation	10,841	-	-	10,841
Utilities	112,100	9,191	-	121,291
Vehicle repairs and maintenance	8,197	-	-	8,197
Total Expenses	$ 2,415,326	$ 229,045	$ 23,376	$ 2,667,747

See accompanying notes to consolidated financial statements.

CENTRAL DETROIT CHRISTIAN COMMUNITY DEVELOPMENT CORPORATION

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2017

	Program	Management and General	Fundraising	Total
Administration	$ -	$ 967	$ -	$ 967
Auto insurance	2,452	-	-	2,452
Bad debt expense	6,439	-	-	6,439
Bank service charges	-	2,645	-	2,645
Beautification	132,982	-	-	132,982
Benevolence	534	-	-	534
Consulting	11,595	2,500	33,890	47,985
Contract labor	110,876	-	-	110,876
Cost of goods sold	36,708	-	-	36,708
Depreciation	462,910	15,589	-	478,499
Donation	82,728	-	-	82,728
Dues and memberships	2,778	1,300	-	4,078
Events	-	-	944	944
Fiduciary program	134,204	-	-	134,204
Fines and penalties	3,380	-	-	3,380
Garden	8,249	-	-	8,249
General and liability insurance	60,626	4,284	-	64,910
Groundskeeping	8,195	-	-	8,195
Health insurance	11,332	-	-	11,332
Interest	41,057	13,686	-	54,743
Legal fees	820	-	-	820
Licenses and permits	2,662	688	-	3,350
Maintenance and repairs	49,175	-	-	49,175
Marketing	16,989	2,564	-	19,553
Office supplies	11,555	2,920	-	14,475
Payroll and payroll taxes	626,967	108,950	7,800	743,717
Postage and delivery	1,429	1,428	-	2,857
Printing and reproduction	6,312	3,120	3,120	12,552
Professional fees	12,527	55,695	3,874	72,096
Program supplies	56,575	-	-	56,575
Property taxes	60,822	-	-	60,822
Rent	3,325	-	-	3,325
Sales taxes	341	-	-	341
Small equipment rental	19,390	6,463	-	25,853
Staff meetings supplies	9,584	-	-	9,584
Staff travel	496	8	-	504
Summer programs	28,309	-	-	28,309
Telephone	5,587	923	-	6,510
Training stipends	28,845	-	-	28,845
Transportation	12,073	-	-	12,073
Utilities	75,551	2,218	-	77,769
Vehicle repairs and maintenance	14,142	-	-	14,142
Total Expenses	$ 2,160,521	$ 225,948	$ 49,628	$ 2,436,097

See accompanying notes to consolidated financial statements.

NOTE 1 - Summary of Significant Accounting Policies

A summary of the accounting policies of Central Detroit Christian Community Development Corporation ("the Organization") is presented to assist in understanding the Organization's financial statements. The financial statements and notes are representations of the Organization's management, which is responsible for their integrity and objectivity. These accounting 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.

Nature of Activities

The Organization is a nonprofit, faith based organization committed to empowering people and creating positive opportunities for the central Detroit community. The Organization's mission is to transform individuals to reach their highest potential while transforming the community to be a place of peace and wholeness, "Shalom". This is achieved through education, employment and economic development in central Detroit. The Organization's vision is to be an agent of change creating a community of choice. The Organization desires to meet the real needs of its community in such a way that the community is restored and made whole and as a result people will take pride in their community and desire to stay there.

The Organizations' primary sources of revenue and support are grants and contributions.

Principles of Consolidation

The consolidated financial statements include the activities of seven wholly-owned limited liability companies Detroit Remade, LLC, Farm and Fishery LLC, Fit N Fold Laundromat, LLC, Peaches & Greens LLC, Pathways of Promise Early Childhood Learning Center, Shadow of the Almighty, LLC, and Solid Rock Property Management, LLC. Second Avenue Apartments, Inc., a corporation, has also been consolidated. All inter-company transactions have been eliminated in the preparation of the financial statements.

Detroit ReMade, LLC, produces and sells one-of-a-kind, hand-crafted products made by artists who repurpose forgotten and abandoned items into useful and decorative household items. Its vision is to clean up the community, employ and train individuals in the neighborhood, and develop creativity and innovation in the heart of Detroit.

Farm and Fishery, LLC, is an indoor, self-sustaining ecosystem that provides fresh fish and vegetables to individuals and restaurants.

Fit N Fold Laundromat, LLC, is a coin operated laundry facility that includes fitness equipment and televisions and is located near high need customers.

Peaches & Greens, LLC, is a produce/grocery market and mobile truck that includes a commercial kitchen available for rent to local caterers and chefs. Peaches & Greens, LLC's, mission is to provide access to quality produce at affordable prices.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Principles of Consolidation (cont.)

Pathways of Promise Early Childhood Learning Center ("the Center") is a childcare facility and preschool serving high need families in central Detroit. The Center opened on October 30, 2017, and is licensed for 56 students ages 0-5.

Shadow of the Almighty Security Company, LLC, was formed in 2014 to employ individuals from the community to provide security services for ongoing construction projects and community events.

Solid Rock Property Management, LLC, is the property management arm of the Organization and manages the operations of five subsidiaries, Gladstone Apartments, LLC, Piety Hill, LLC, Piety Square LLC, Piety Hill Partners LLC, and Westside Properties LLC, which carry out the purposes of the Organization and are fully consolidated into the operating activities of Solid Rock Property Management, LLC.

The Organization is a 100% owner of Second Avenue Apartments, Inc., which is .01% owner of Second Avenue Apartments Limited Dividend Housing Association Limited Partnership, an 11 unit apartment building that provides affordable housing for low-income residents of central Detroit. The activities of the limited partnership have been consolidated into Second Avenue Apartments, Inc. and, consequently, the Organization, as the Organization controls this entity, thus requiring consolidation by professional standards. The remaining ownership is classified as a non-controlling interest. All inter-company transactions have been eliminated. Solid Rock Property Management, LLC, also performs management functions for Second Avenue Apartments Limited Dividend Housing Association Limited Partnership.

Basis of Accounting

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

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 as the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization considers all highly liquid investments purchased with a maturity date of three months or less to be cash equivalents. The Organization maintains cash balances with two banks. Accounts are insured by the Federal Deposit Insurance Corporation up to $250,000. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Accounts, Grants, Loans, and Land Contracts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts of $2,750 and $5,573 as of December 31, 2018 and 2017, respectively. For the years ended December 31 2018 and 2017, land contracts receivable are shown net of a present value discount of $4,338 and $17,151, respectively. The Organization's accounts receivable are due primarily from tenants and donors. Grants receivable are due from granting agencies and amounts are determined based upon award letters less cash received before year-end. Loans receivable are due from related parties and are discussed further in Note 8. Land contracts receivable are due from qualifying families with which the Organization has entered into an agreement (Note 2). All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Assets Held for Sale

The Organization acquires vacant land and homes through purchases or donation. The Organization's intention is to refurbish the homes as necessary and then sell them. Vacant land is held for the purpose of sale and future construction. Property is recorded at cost. The donated property is recorded at the estimated fair market value at the date of gift.

Investment in Casamira

The Organization owns 100% of Casamira Manager Inc. which is a 1% owner of Casamira Detroit LLC. Casamira Detroit LLC owns and renovated a 44-unit historical apartment building in Detroit. The property renovation was complete in 2017 and operations began in 2018. Subsequent to year end, Solid Rock Property Management, a wholly owned subsidiary of the Organization, began the management of Casamira Detroit LLC.

Property and Equipment

Property and equipment purchased by the Organization are carried on its books at cost. Assets donated to the Organization have been recorded at their estimated fair value at the date of receipt. Expenditures for major betterments and additions are charged to the property accounts, while replacements, maintenance and repairs which do not improve or extend the life of the respective assets are expensed currently. The Organization's policy is to capitalize expenditures in excess of $1,000 and an estimated useful life greater than one year. Lesser amounts are expensed as incurred and included in the statement of activities.

Depreciation of property and equipment is provided under the straight-line method over the following estimated useful lives:

Building and Improvements	5 - 20 years
Furniture and Equipment	5 - 10 years
Vehicles	5 years

Gains or losses from the sale of property and equipment are recorded in the statement of activities.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. To date, there have been no such losses.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.
Net Assets With Donor Restrictions - Net assets subject to donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Organization pursuant to those stipulations, or are required to be maintained permanently by the Organization.

Contributed Goods and Services

Contributed goods and services are recorded at fair value as revenues and expenses in the period pledged. For the years ended December 31, 2018 and 2017, the total amount of contributed goods and services recorded by the Organization was $35,456 and $73,228, respectively, which is reflected as in-kind contributions on the consolidated statement of activities. This amount includes donated staff salary and various donated items received by the Organization to further its mission that would otherwise need to be purchased. In addition, approximately 1,511 and 1,110 non-professional volunteers have donated their time during the years ended December 31, 2018 and 2017, respectively, for the Organization's programs. For the years ended December 31, 2018 and 2017 the volunteers worked approximately 21,960 and 22,900 hours, respectively. No value for these donated services is reflected in the accompanying financial statements because these services have not created or enhanced a non-financial asset, nor are they specialized skills provided by entities or persons possessing those skills that would be purchased if they were not donated.

Functional Allocation of Expenses

Certain expenses have been allocated between programs, management and general and fundraising on various bases and estimates. All employee costs including salaries and wages, payroll taxes, and benefits are allocated based on each employee's time spent performing program, management and fundraising activities. Other expenses are classified based on the nature and purpose of the transaction. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different results.

NOTE 1 - Summary of Significant Accounting Policies (cont.)

Tax-Exempt Status

The Organization has received notification that it qualifies as a tax-exempt organization under Sections 501(c)(3) of the U.S. Internal Revenue Code and corresponding provisions of State law and, accordingly, are not subject to federal or state income taxes on related income. Unrelated business income may be subject to taxation. The seven wholly-owned limited liability companies are treated as disregarded entities for tax reporting purposes. Second Avenue Apartments, Inc. is a corporation and is required to file separately for tax reporting purposes.

Reclassification

Certain amounts appearing in the 2017 financial statements have been reclassified to conform to the 2018 presentation. The reclassifications have no effect on the reported amounts of total net assets or change in total net assets.

Adoption of Financial Accounting Standard Board's Accounting Standards Update

In 2018, the Organization adopted the Financial Accounting Standard Board’s Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has adjusted the presentation of these financial statements accordingly. ASU No. 2016-14 has been applied retrospectively to all periods presented.

The new standard changes the following aspects of the financial statements:

- The unrestricted net assets class has been renamed Net Assets Without Donor Restrictions;
- The temporarily restricted net asset class has been renamed Net Assets with Donor Restrictions;
- The financial statements include a disclosure about liquidity and availability of resources (Note 9).

Subsequent Events

The Organization has evaluated events and transactions through March 21, 2019, which is the date the financial statements were approved and available to be issued.

NOTE 2 - Land Contracts Receivable

As part of its mission, the Organization sells homes to low income families. The land contracts vary but usually are for periods of twenty-four to sixty months and require monthly principal payments with a zero percent interest rate. The land contracts are discounted based upon prevailing market rates for low income housing at the inception of the land contract. For the years ended December 31, 2018 and 2017, a 6% discount rate was used for a total discount on land contracts receivable of $4,338 and $17,151, respectively. All amounts deemed to be uncollectible are charged against the allowance for doubtful accounts in the period that determination is made. No accounts were deemed uncollectible at December 31, 2018 and 2017.

NOTE 3 - Property and Equipment

Property and equipment consisted of the following at December 31:

	2018	2017
Building and improvements	$ 10,507,292	$ 9,926,327
Nondepreciable land	139,564	94,464
Furniture and equipment	1,464,621	1,466,061
Vehicles	88,989	88,989
Total property and equipment	12,200,466	11,575,841
Less: accumulated depreciation	(2,599,515)	(2,036,638)
Property and Equipment, Net	$ 9,600,951	$ 9,539,203

NOTE 4 - Piety Hill Loan Conversion

The Organization received a non-interest-bearing loan in the amount of $5,638,450 from the City of Detroit Neighborhood Stabilization Program ("the City") to rehabilitate 22 homes in the neighborhood served by the Organization, known as the Piety Hill property renovation project. The loan was later amended to include only 19 of those 22 homes in the renovation project, which doubled as collateral on the loan until the project reached completion.

The Piety Hill property renovation project was completed as of January 1, 2016. The renovated properties provide affordable housing in the low-income neighborhood served by the Organization. Upon completion of the project, the loan from the City of Detroit was deemed satisfied and was re-characterized as a capital advance. The Organization has ongoing commitments through 2030 to maintain the property and comply with rental and reporting rate requirements.

The Organization is required to maintain compliance with certain requirements as listed above and report at least annually to the City that each house is occupied by low-income qualified persons or families. Should the Organization violate terms of compliance, the City reserves the right to call the advance. The compliance period ends in 2030, a total of 16 years. Each year one-sixteenth of the advance, $352,403, is released from donor restricted net assets and presented as net assets without restrictions on the Statement of Financial Position. The restricted portion was $4,581,241 and $4,933,644 at December 31, 2018 and 2017, respectively.

NOTE 5 - Long-Term Debt

A mortgage payable to IFF was issued on February 26, 2016 with an additional draw of $980,255 in 2017, and bears interest at a rate of 5.375% per annum. The mortgage proceeds were used to finance renovation of the property at 1550 Taylor, Detroit, Michigan. The mortgage is collateralized by the property, and at December 31, 2018 and 2017, the balance of the loan was $1,334,059 and $1,326,825, respectively.

In October, 2017 Organization obtained an interest free loan in the amount of $40,000, to be used for Pathways of Promise Early Childhood Learning Center. At December 31, 2018 and 2017 the balance of the loan was $28,750 and $40,000, respectively.

In December, 2018, the Organization obtained an interest free loan in the amount of $23,000 from a related party. At December 31, 2018 the balance of the loan was $23,000. Future minimum payments on the long-term debt are as follows:

Year	Amount Due
2019	$ 64,590
2020	102,288
2021	81,746
2022	74,907
2023	1,062,278
Total	$ 1,385,809

An available line of credit of $90,000 with Huntington Bank matures on July 14, 2019, and bears interest at a variable rate based on LIBOR. The effective rate at December 31, 2018 and 2017, was 5.57% and 4.61%, respectively. The line of credit proceeds are used to finance the rehabilitation costs of property held for sale, and costs associated with each property are due 12 months from the date of closing. During 2018, the Organization borrowed $403,757 and made payments of $443,434 for a net effect of $39,677. During 2017, the Organization borrowed $213,825 and made payments of $204,800 for a net effect of $9,025. At December 31, 2018 and 2017, the balance of the line of credit was $47,458 and $87,135, respectively.

NOTE 6 - Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2018	2017
Restricted for time and purpose	$ 438,993	$ 707,187
City of Detroit advance	4,581,241	4,933,644
Total	$ 5,020,234	$ 5,640,831

NOTE 7 - Contingency

Second Avenue Apartments Limited Dividend Housing Association Limited Partnership's partnership agreement provides for a replacement reserve of $250 per unit per year funded from gross receipts of the partnership. In the event cash flows are insufficient to fund the reserve, the general partner will make the reserve payments.

The general partner shall lend to the partnership the funds required to pay any operating deficits incurred prior to the fifteen years from the date the project achieves breakeven operations. The general partner's liability in this regard shall not exceed $25,000. The general partner's obligations are guaranteed by the Organization. At December 31 2018 and 2017, no reserve has been accrued.

NOTE 8 - Related Party Transactions

The Organization had loans receivable from related parties totaling $20,803 at December 31, 2017. The loans were paid in full during 2018. In December, 2018, the Organization obtained an interest free loan in the amount of $23,000 from a related party. In compliance with the Organization's internal control and conflict of interest policies, all related party transactions are approved by the Board of Directors. The Organization also pays insurance and interest on behalf of related parties.

NOTE 9 - Availability of Financial Assets

The Organization's financial assets available within one year of the statement of financial position date for general expenditure such as operating expenses, scheduled principal payments on debt, and fixed asset additions not financed with debt are as follows:

	2018	2017
Financial Assets:		
Cash and cash equivalents	$ 468,086	$ 449,155
Accounts, grants, and land contracts receivable, current	204,083	394,325
Financial assets, at year-end	672,169	843,480
Less those unavailable for general expenditures within one year, due to:		
Restricted for purpose by donor	(349,179)	(505,299)
Financial assets available for meet cash needs for general expenditures within one year	$ 322,990	$ 338,181

NOTE 10 - Future Accounting Pronouncements

During May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standard Update (“ASU”) issued ASU 2014-09, "Revenue from Contracts with Customers". ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. During August 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU 2014-09. ASU 2014-09 is effective for fiscal years beginning after December 15, 2018. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Organization is currently assessing the effect that ASU 2014-09 will have on its results of operations, financial position and cash flows.

During February 2016, the FASB issued ASU 2016-02, "Leases". ASU 2016-02 establishes principles that require a lessee to recognize a lease asset and a lease liability for those leases classified as operating leases under previous accounting principles generally accepted in the United States of America. ASU 2016-02 is effective for annual periods beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. The Organization is currently assessing the effect that ASU 2016-02 will have on its results of operations, financial position and cash flows.

During June 2018, the FASB issued ASU 2018-08, Not-for-Profit Entities (Topic 958): “Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made”. The new guidance is intended to clarify and improve accounting guidance for contributions received and contributions made. The amendments in this ASU should assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. For not-for-profit entities that have conduit debt, ASU 2018-08 is effective for fiscal years beginning after June 15, 2018. All other entities should apply the amendments for fiscal years beginning after December 15, 2018. The Organization is currently assessing the impact that ASU 2018-08 will have on its results of operations, financial position and cash flows.