Central Detroit Christian Community Development Corporation

Consolidated Financial Statements

December 31, 2020 and 2019

Independent Auditors' Report

To the Board of Directors of
Central Detroit Christian Community Development Corporation

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, 2020 and 2019, and the related consolidated statements of activities, cash flows and functional expenses for the years then ended, and the related notes to the consolidated 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, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Baker Tilly US, LLP

Southfield, Michigan
March 18, 2021

Central Detroit Christian Community Development Corporation

Consolidated Statements of Financial Position
December 31, 2020 and 2019

	2020	2019
Assets		
Current Assets		
Cash and cash equivalents	$ 1,067,646	$ 816,182
Accounts receivable, net	45,091	46,531
Grants receivable	100,000	60,000
Current portion of land contracts receivable	11,866	15,210
Inventories	1,774	1,438
Total current assets	1,226,377	939,361
Long-term Assets		
Restricted cash and cash equivalents	138,400	175,049
Land contracts receivable, net of discount and current portion	5,283	14,951
Investment property	1,646,307	922,402
Property and equipment, net	17,337,399	17,446,380
Total long-term assets	19,127,389	18,558,782
Total assets	$ 20,353,766	$ 19,498,143
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 128,497	$ 129,455
Line of credit	59,828	56,592
Accrued expenses	65,920	87,673
Property taxes payable	312	3,458
Refundable advances	251,205	-
Current portion of long-term debt	131,482	138,071
Total current liabilities	637,244	415,249
Long-term Liabilities		
Long-term debt, net of current portion	7,648,115	7,727,271
Total liabilities	8,285,359	8,142,520
Net Assets		
Without donor restrictions		
Without donor restrictions	7,484,191	6,073,169
Non-controlling interest	(21,567)	347,389
Total net assets without donor restrictions	7,462,624	6,420,558
With donor restrictions	4,605,783	4,935,065
Total net assets	12,068,407	11,355,623
Total liabilities and net assets	$ 20,353,766	$ 19,498,143

See notes to consolidated financial statements

Central Detroit Christian Community Development Corporation

Consolidated Statements of Activities
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Public Support and Revenue						
Grants and contributions	$ 1,004,174	$ 780,552	$ 1,784,726	$ 924,740	$ 966,417	$ 1,891,157
In-kind contributions	1,481,108	-	1,481,108	168,053	-	168,053
Rental income	801,555	-	801,555	764,909	-	764,909
Sales of services	199,189	-	199,189	152,329	-	152,329
Tuition revenue	256,439	-	256,439	357,666	-	357,666
Gain on sale of property and equipment	18,942	-	18,942	90,556	-	90,556
Other	21,573	-	21,573	20,964	-	20,964
Net assets released from restriction	1,109,834	(1,109,834)	-	1,051,586	(1,051,586)	-
Total public support and revenue	4,892,814	(329,282)	4,563,532	3,530,803	(85,169)	3,445,634
Expenses						
Program	3,620,614	-	3,620,614	3,415,779	-	3,415,779
Management and general	225,524	-	225,524	291,727	-	291,727
Fundraising	4,610	-	4,610	27,447	-	27,447
Total expenses	3,850,748	-	3,850,748	3,734,953	-	3,734,953
Change in net assets	1,042,066	(329,282)	712,784	(204,150)	(85,169)	(289,319)
Net Assets, Beginning	6,420,558	4,935,065	11,355,623	6,624,708	5,020,234	11,644,942
Net Assets, Ending	$ 7,462,624	$ 4,605,783	$ 12,068,407	$ 6,420,558	$ 4,935,065	$ 11,355,623

See notes to consolidated financial statements

Central Detroit Christian Community Development Corporation

Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
Cash Flows From Operating Activities		
Change in net assets	$ 712,784	$ (289,319)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	982,130	965,357
Provision for uncollectible accounts	66,499	-
Loss on sale of investment property	26,572	6,117
Gain on sale and property and equipment	(18,942)	(90,556)
Contribution of investment property	(1,344,000)	-
Changes in assets and liabilities:		
Accounts receivable, net	(65,059)	32,359
Grants receivable	(40,000)	54,175
Land contracts receivable	13,012	10,025
Lease reserves	-	161,567
Inventories	(336)	184
Accounts payable	(958)	21,249
Accrued expenses	(21,753)	(38,606)
Property taxes payable	(3,146)	(9,328)
Refundable advances	251,205	-
Net cash flows from operating activities	558,008	821,574
Cash Flows From Investing Activities		
Purchases and rehab costs of investment property	(208,026)	(321,135)
Proceeds from sale of investment property	-	500
Purchases of property and equipment	(108,380)	(45,656)
Proceeds from sale of property and equipment	55,722	92,206
Net cash flows from investing activities	(260,684)	(272,435)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	51,324	216,847
Repayments of long-term debt	(137,069)	(931,964)
Net change in line of credit	3,236	9,134
Equity contribution for Casamira Detroit, LLC	-	678,989
Net cash flows from financing activities	(82,509)	(26,994)
Net change in cash and cash equivalents and restricted cash and cash equivalents	214,815	522,145
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Beginning	991,231	469,086
Cash and Cash Equivalents and Restricted Cash and Cash Equivalents, Ending	$ 1,206,046	$ 991,231

Reconciliation of Cash and Cash Equivalents and Restricted Cash and Cash Equivalents to the Consolidated Statements of Financial Position:

	2020	2019
Cash and cash equivalents	$ 1,067,646	$ 816,182
Restricted cash and cash equivalents	138,400	175,049
Total cash and cash equivalents and restricted cash and cash equivalents	$ 1,206,046	$ 991,231

	2020	2019
Supplemental Cash Flow Disclosure		
Cash paid for interest	$ 338,928	$ 209,084
Settlement and refinancing of mortgage payable	$ 1,234,689	$ -

See notes to consolidated financial statements

Central Detroit Christian Community Development Corporation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program	Management and General	Fundraising	Total
Accounting	$ 15,756	$ 47,269	$ -	$ 63,025
Administration	-	5,150	-	5,150
Auto insurance	18,270	-	-	18,270
Bad debt	66,499	-	-	66,499
Bank service charges	-	5,094	-	5,094
Beautification	63,205	-	-	63,205
Benevolence	32,168	-	-	32,168
Consulting	3,300	-	-	3,300
Contract labor	170,960	-	-	170,960
Cost of goods sold	48,237	-	-	48,237
Depreciation	921,874	60,256	-	982,130
Dues and memberships	1,362	5,021	312	6,695
Equipment	21,899	-	-	21,899
Fiduciary program	32,550	-	-	32,550
Fines and penalties	10,397	-	-	10,397
Garden	3,811	-	-	3,811
General and liability insurance	88,486	14,617	-	103,103
Groundskeeping	20,132	-	-	20,132
Health insurance	17,974	-	-	17,974
Interest	321,221	17,707	-	338,928
Legal fees	2,570	300	-	2,870
Licenses and permits	3,103	807	-	3,910
Maintenance and repairs	155,048	6,817	-	161,865
Marketing	820	-	309	1,129
Office supplies	13,897	4,479	-	18,376
Payroll and payroll taxes	1,033,172	43,735	2,099	1,079,006
Postage and delivery	1,152	576	576	2,304
Printing and reproduction	2,385	2,257	-	4,642
Professional fees	88,703	1,285	-	89,988
Program supplies	182,241	-	-	182,241
Property taxes	74,359	-	-	74,359
Sales taxes	49	-	-	49
Staff travel	3,736	-	-	3,736
Summer programs	10,269	-	-	10,269
Telephone	8,333	1,314	1,314	10,961
Training	4,727	-	-	4,727
Training stipends	8,033	-	-	8,033
Transportation	9,250	-	-	9,250
Utilities	154,965	8,840	-	163,805
Vehicle repairs and maintenance	5,701	-	-	5,701
Total expenses	$ 3,620,614	$ 225,524	$ 4,610	$ 3,850,748

See notes to consolidated financial statements

Central Detroit Christian Community Development Corporation

Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program	Management and General	Fundraising	Total
Accounting	$ 24,711	$ 74,134	$ -	$ 98,845
Administration	-	1,031	-	1,031
Auto insurance	10,338	-	-	10,338
Bank service charges	-	4,200	-	4,200
Beautification	14,600	-	-	14,600
Benevolence	12,138	-	-	12,138
Consulting	26,094	29,337	-	55,431
Contract labor	171,245	-	-	171,245
Cost of goods sold	22,101	-	-	22,101
Depreciation	897,255	68,102	-	965,357
Dues and memberships	1,681	5,043	-	6,724
Equipment	14,408	-	-	14,408
Events	-	-	23,435	23,435
Fiduciary program	138,690	-	-	138,690
Fines and penalties	4,083	-	-	4,083
Garden	1,907	-	-	1,907
General and liability insurance	82,858	18,918	-	101,776
Groundskeeping	31,399	-	-	31,399
Health insurance	16,032	-	-	16,032
Interest	189,599	19,485	-	209,084
Legal fees	28,432	1,070	-	29,502
Licenses and permits	10,942	456	-	11,398
Maintenance and repairs	157,645	13,992	-	171,637
Marketing	1,593	-	2,414	4,007
Office supplies	9,580	3,733	-	13,313
Payroll and payroll taxes	974,119	37,856	900	1,012,875
Postage and delivery	1,396	698	698	2,792
Printing and reproduction	5,914	5,680	-	11,594
Program supplies	229,379	-	-	229,379
Property management fees	9,230	-	-	9,230
Property taxes	107,339	-	-	107,339
Sales taxes	62	-	-	62
Staff travel	8,335	-	-	8,335
Summer programs	24,786	-	-	24,786
Telephone	10,778	-	-	10,778
Training	7,574	-	-	7,574
Training stipends	10,461	-	-	10,461
Transportation	12,092	-	-	12,092
Utilities	130,168	7,992	-	138,160
Vehicle repairs and maintenance	16,815	-	-	16,815
Total expenses	$ 3,415,779	$ 291,727	$ 27,447	$ 3,734,953

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

A summary of the accounting policies of Central Detroit Christian Community Development Corporation, including the subsidiaries included herein, (Collectively, the Organization) is presented to assist in understanding the Organization's consolidated financial statements. The consolidated 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 consolidated 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 rental income, grants, and contributions.

Principles of Consolidation

The consolidated financial statements include the activities of seven wholly-owned limited liability companies and one corporation which are included as subsidiaries in the consolidated financial statements. These subsidiaries are:

Detroit ReMade, LLC	Pathways of Promise Early Childhood Learning Center, LLC
CDC's Farm and Fishery, LLC	Shadow of the Almighty, LLC
Fit & Fold Laundromat, LLC	Solid Rock Property Management, LLC
Peaches & Greens, LLC	Casamira Manager, Inc.

All inter-company transactions have been eliminated in the preparation of the consolidated 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. This entity was dissolved subsequent to year-end.

CDC's Farm and Fishery, LLC, is an indoor, self-sustaining ecosystem that provides fresh fish and vegetables to individuals and restaurants. This entity was dissolved subsequent to year-end.

Fit & 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.

Pathways of Promise Early Childhood Learning Center, LLC (the Center) is a childcare facility and preschool serving high need families in central Detroit. The Center is licensed for 56 students ages birth through five years old.

Shadow of the Almighty Security Company, LLC, employs individuals from the community to provide security services for ongoing construction projects and community events. This entity was dissolved subsequent to year-end.

Solid Rock Property Management, LLC, is the property management arm of the Organization and manages the operations of five subsidiaries which are full consolidated into the operating activities of Sold Rock Property Management, LLC. These subsidiaries are: Kingston Place on Second Avenue, LLC; Piety Hill, LLC; Piety Square, LLC; Piety Hill Partners, LLC; and Westside Properties, LLC. These subsidiaries carry out the purposes of the Organization. In addition, Solid Rock Property Management, LLC manages the operations of the Casamira apartments.

The Organization was a 100 percent owner of Second Avenue Apartments, Inc., which was .01 percent 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. During 2019, the partnership was dissolved and Kingston Place on Second Avenue, LLC became the sole owner of the 11 unit apartment building.

The Organization is 100 percent owner of Casamira Manager, Inc., which is 1 percent owner of Casamira Detroit, LLC. Casamira Detroit, LLC was formed as a limited liability company under the laws of the State of Michigan on May 26, 2013 for the purpose of constructing, owning and operating a mixed-income residential apartment project. The building consists of 44 rental units located in Detroit, MI operating under the name Casamira Apartments. The activities of the partnership have been consolidated into Casamira Manager, Inc. and, consequently, the Organization, as the Organization controls this entity, thus requiring consolidation by professional standards. All inter-company transactions have been eliminated. During 2019, Impact Capital, the 99 percent owner of Casamira Detroit, LLC, contributed $678,989 as an equity contribution to pay the outstanding construction bridge loan. There were no equity contributions in 2020.

	Total	Controlling Interest	Noncontrolling Interest
Balances at January 1, 2018	$ 1,510,355	$ 1,471,831	$ 38,524
Revenues less expenses	(373,863)	(3,739)	(370,124)
Capital contributions	678,989	-	678,989
Balance at December 31, 2019	1,815,481	1,468,092	347,389
Revenues less expenses	(372,683)	(3,727)	(368,956)
Balance at December 31, 2020	$ 1,442,798	$ 1,464,365	$ (21,567)

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 consolidated 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 four 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.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include reserve accounts and tenant security deposits. The Organization does not have the ability to use these funds for operations due to contractual requirements or government imposed restrictions without prior approval.

Accounts, Grants and Land Contracts Receivable

Accounts receivable are shown net of an allowance for doubtful accounts of $66,689 and $2,750 as of December 31, 2020 and 2019, respectively. As of December 31, 2020 and 2019, land contracts receivable are shown net of a present value discount of $667 and $2,115, respectively. The Organization's accounts receivable are due primarily from tenants. Grants receivable are due from granting agencies and amounts are determined based upon unconditional award letters or costs incurred, services completed, and terms identified in the contract. 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.

Investment Property

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.

Property and Equipment

Property and equipment purchased by the Organization are recorded 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 consolidated 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 consolidated statement of activities.

Impairment of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment and investment property, 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 wtihout donor restrictions may be designated for specific purposes by action of the Board of Directors. These designations can be modified or removed by the Board of Directors at any time. There were no net assets designated by the Board of Directors as of December 31, 2020 and 2019.

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.

Refundable Advances

Refundable advances represent advance payments received from grantors to be used for programs in future years and funds received from the Paycheck Protection Program (PPP) discussed in Note 5.

Grants and Contributions

Unconditional grants and contributions, including pledges and grants receivable, are recognized in the period received. Grants and contributions are considered unconditional when the Organization meets any barriers or conditions communicated in the agreement.

The Organization reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without donor restrictions.

Conditional grants and contributions, that is, those with a measurable performance or other barriers, and a right of return, are recognized as revenue when they become unconditional, that is, when the conditions are met. As of December 31, 2020 there were two conditional grants received totaling $251,205 and the Organization anticipates meeting the conditions in fiscal year 2021, and are included in refundable advances as a current liability on the consolidated statements of financial position.

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, 2020 and 2019, the total amount of contributed goods and services recorded by the Organization was $1,481,108 and $168,053, 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 434 and 1,591 non-professional volunteers have donated their time during the years ended December 31, 2020 and 2019, respectively, for the Organization's programs. For the years ended December 31, 2020 and 2019, the volunteers worked approximately 6,245 and 24,723 hours, respectively. No value for these donated services is reflected in the accompanying consolidated 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.

Revenue Recognition

A portion of the Organization's revenues arise from the sale of goods and services under contract with customers. Revenue under contracts with customers is recognized when the customer obtains control of the good or service and is recognized to depict the transfer of promised goods or services in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services.

A performance obligation is a district good, service or bundle of goods or services promised in a contract. The Organization identifies performance obligations at the inception of a contract and allocates the transaction price to individual performance obligations to appropriately depict the Organization's performance in transferring control of the promised goods and services to the customer. Contracts with customers do not include a significant financing component.

Sale of Services. The Organization generates revenue from fees for services to the community. Fees are recorded using the portfolio approach as agreements are uniform. Fees are non-refundable and paid in full prior to receiving the service. To determine the transaction price, management assesses the costs to providing the service and the Organization approves a fixed fee through the budget annually. The performance obligation is satisfied upon completion of the respective service.

Tuition Revenue. The Organization provides preschool and daycare services to the community. Tuition revenue is recognized in the year in which the programs are delivered. Tuition received in advance is recognized in the period services are provided. The Organization applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. The Organization determines the transaction price based on standard charges for services provided and allowed by local government agencies.

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.

Reclassification

For comparability, certain 2019 amounts have been reclassified to conform with classifications adopted in 2020. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

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 wholly-owned limited liability companies are treated as disregarded entities for tax reporting purposes. Casamira Manager, Inc. is a corporation and is required to file separately for tax reporting purposes.

Subsequent Events

The Organization has evaluated events and transactions through March 18, 2021, which is the date the consolidated financial statements were approved and available to be issued.

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, 2020 and 2019, a 6 percent discount rate was used for a total discount on land contracts receivable of $667 and $2,115, 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, 2020 and 2019.

3. Property and Equipment

Property and equipment consisted of the following at December 31:

	2020	2019
Building and improvements	$ 20,083,587	$ 19,237,938
Nondepreciable land	197,114	197,114
Furniture and equipment	1,703,230	1,689,756
Vehicles	98,140	98,140
Total property and equipment	22,082,071	21,222,948
Less accumulated depreciation	(4,744,672)	(3,776,568)
Property and equipment, net	$ 17,337,399	$ 17,446,380

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 (the City) Neighborhood Stabilization Program 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 consolidated statements of financial position. The donor restricted portion was $3,876,435 and $4,228,838 at December 31, 2020 and 2019, respectively.

5. Paycheck Protection Program

In April 2020, Central Detroit Christian Development Corporation and three of its subsidiaries received total proceeds in the amount of $201,205 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying non-profit organizations in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying non-profit organizations to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA. Advances from the PPP are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. The Organization initially recorded the funds as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right of return of the PPP loan, or when such conditions are explicitly waived. Any unforgiven portion is payable over 2 years if issued before, or 5 years if issued after, June 5, 2020 at an interest rate of 1% with payments deferred until the SBA remits the organization’s loan forgiveness amount to the lender, or, if the organization does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

As of December 31, 2020, the Organization does not believe it has met all the conditions for revenue recognition attached to the PPP funds, therefore, no grant revenue is recorded within its consolidated statement of activities for the year-ended December 31, 2020. The full amount of $201,205 of PPP funds received are recorded as a refundable advance in the Organization’s December 31, 2020 consolidated statement of financial position. The Organization believes it will overcome the remaining barriers and the remaining refundable advance will be reported as grant revenue within its consolidated statement of activities for the year-end December 31, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan or repaid in full and to provide that documentation to the SBA upon request. The Organization does not believe the results of any audits or reviews by the SBA would have a material impact on the consolidated financial statements.

In February 2021, the three subsidiaries received notice from the SBA that it has forgiven $81,600 of the PPP proceeds. The forgiveness application for Central Detroit Christian Development Corporation is still pending with the SBA.

6. Long-Term Debt and Line of Credit

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 percent per annum. The mortgage payable was refinanced with Huntington Bank in October 2020. Monthly payments of principal and interest of $7,432 are due over 60 months, with interest of 5.875 percent. A final payment of all unpaid principal and accrued interest is due September 2025. 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, 2020 and 2019, the balance of the loan was $1,226,237 and $1,269,999, respectively.

In October 2017, the 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, 2020 and 2019, the balance of the loan was $28,750.

Casamira Detroit, LLC obtained a mortgage payable to Capital Impact on June 26, 2016 for $3,770,000. In February 2019, additional funds were borrowed and the principal balance for the note payable became $3,907,366 with an interest rate of 5.15 percent and monthly payments of $21,507. The rental building is pledged as collateral for the mortgage and the Organization is a guarantor of the loan. At December 31, 2020 and 2019,the balance on the loan was $3,809,871 and $3,867,382, respectively. Debt issuance costs associated with the mortgage payable totaled $100,333, for which, accumulated amortization was $14,334 and $7,963 at December 31, 2020 and 2019, respectively. Amortization expense is included in depreciation on the consolidated statements of functional expenses.

Casamira Detroit, LLC entered into a HOME Loan with the City of Detroit on June 26, 2016 for the principal sum of $2,803,768. Commencing June 1, 2019, thirty four annual payments of interest only is due in the amount of $5,000 through June 1, 2052. On May 1, 2053, the entire balance of outstanding principal and accrued interest is due, if not forgiven. At December 31, 2020 and 2019, the balance on the loan was $2,803,768. Debt issuance costs associated with the HOME Loan totaled $30,135, for which, accumulated amortization was $3,661 and $2,032 at December 31, 2020 and 2019, respectively.

Long-term debt consist of the following at December 31:

	2020	2019
Outstanding mortgage and notes payable	$ 7,892,070	$ 7,985,815
Less: debt issuance costs	(112,473)	(120,473)
Long-term debt, net of debt issuance costs	$ 7,779,597	$ 7,865,342

At December 31, 2020, future minimum payments on the long-term debt are as follows:

	Amount Due
Year ending December 31:	
2021	$ 135,482
2022	123,084
2023	127,124
2024	121,800
2025	1,047,815
Thereafter	6,336,765
Total	$ 7,892,070

The Organization has a line of credit of with availability up to $60,000. The line of credit matures and is renewed on an annual basis. The line of credit bears interest at a variable rate based on the Lender's Prime Commercial Rate index. The effective rate at December 31, 2020 and 2019 was 3.25 percent and 5.50 percent, respectively. The line of credit proceeds are used to finance the rehabilitation costs of investment property and costs associated with each property are due 12 months from the date of closing. At December 31, 2020 and 2019, the balance of the line of credit was $59,828 and $56,592, respectively.

7. Net Assets with Donor Restrictions

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

	2020	2019
Restricted for time and purpose	$ 729,348	$ 706,227
City of Detroit advance	3,876,435	4,228,838
Total	$ 4,605,783	$ 4,935,065

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by the donors, as follows:

	2020	2019
Restricted for time and purpose	$ 757,431	$ 699,183
City of Detroit advance	352,403	352,403
Total	$ 1,109,834	$ 1,051,586

8. Availability of Financial Assets

The Organization's financial assets available within one year of the consolidated 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:

	2020	2019
Financial assets:		
Cash and cash equivalents	$ 1,067,646	$ 816,182
Accounts, grants and land contracts receivable, current	156,957	121,741
Financial assets, at year-end	1,224,603	937,923
Less those unavailable for general expenditures within one year, due to:		
Restricted for purpose by donor	(252,615)	(349,179)
Financial assets available to meet cash needs for general expenditures within one year	$ 971,988	$ 588,744

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other liabilities come due. Additionally, the Organization can also utilize the unused portion of the line of credit for additional liquidity needs.

9. Future Accounting Pronouncements

During February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. FASB has issued subsequent standards that deferred the implementation date. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The organization is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During September 2020, FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The standard will be required to be applied retrospectively for annual periods beginning after June 15, 2021.