

HEALING HOUSING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2021

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Healing Housing, Inc.
Brentwood, Tennessee

OPINION

We have audited the financial statements of Healing Housing, Inc. (the "Organization"), which comprise the statement of financial position as of December 31, 2021, the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2021, and changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

BASIS FOR OPINION

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 audit. 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 of 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.

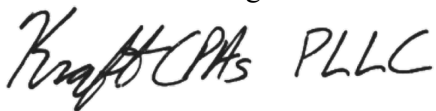
AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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 GAAS 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 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 GAAS, 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.



Nashville, Tennessee
November 11, 2022

HEALING HOUSING, INC.

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2021

ASSETS

Cash	\$ 535,579
Accounts receivable	3,018
Prepaid expenses	6,964
Security deposits	6,000
Computer and software, net	<u>860</u>
 TOTAL ASSETS	 <u>\$ 552,421</u>

LIABILITIES AND NET ASSETS

<u>LIABILITIES</u>	
Accounts payable and accrued expenses	12,552
Participant liabilities	<u>18,760</u>
	<u>31,312</u>
 <u>NET ASSETS</u>	
Without donor restrictions	519,091
With donor restrictions	<u>2,018</u>
 TOTAL NET ASSETS	 <u>521,109</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 552,421</u>

See accompanying notes to financial statements.

HEALING HOUSING, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT			
Grants	\$ 316,263	\$ -	\$ 316,263
Contributions	323,878	-	323,878
Fundraising	141,895	-	141,895
Participant fees	30,222	-	30,222
Interest income	28	-	28
Net assets released from restriction	<u>750</u>	<u>(750)</u>	<u>-</u>
TOTAL REVENUE AND SUPPORT	<u>813,036</u>	<u>(750)</u>	<u>812,286</u>
EXPENSES			
Program services	362,719	-	362,719
Supporting services:			
Management and general	56,494	-	56,494
Fundraising	<u>53,400</u>	<u>-</u>	<u>53,400</u>
TOTAL EXPENSES	<u>472,613</u>	<u>-</u>	<u>472,613</u>
CHANGE IN NET ASSETS	340,423	(750)	339,673
NET ASSETS - BEGINNING OF YEAR	<u>178,668</u>	<u>2,768</u>	<u>181,436</u>
NET ASSETS - END OF YEAR	<u>\$ 519,091</u>	<u>\$ 2,018</u>	<u>\$ 521,109</u>

See accompanying notes to financial statements.

HEALING HOUSING, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2021

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	\$ 339,673
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	904
(Increase) decrease in:	
Accounts receivable	750
Prepaid expenses	2,772
Increase (decrease) in:	
Accounts payable and accrued expenses	(6,838)
Participant liabilities	<u>18,760</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>356,021</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of computer software	<u>(1,764)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,764)</u>
NET INCREASE IN CASH	354,257
CASH - BEGINNING OF YEAR	<u>181,322</u>
CASH - END OF YEAR	<u>\$ 535,579</u>

See accompanying notes to financial statements.

HEALING HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries and wages	\$ 134,376	\$ 12,800	\$ 28,000	\$ 40,800	\$ 175,176
Payroll taxes	7,496	714	1,562	2,276	9,772
Rent	69,452	2,148	-	2,148	71,600
Participant benefits	42,637	-	5,382	5,382	48,019
Supplies	25,697	1,637	1,637	3,274	28,971
Professional fees	2,626	22,892	-	22,892	25,518
Professional development	21,859	-	-	-	21,859
Utilities	16,381	1,994	-	1,994	18,375
Repairs and maintenance	14,105	2,173	1,835	4,008	18,113
Events	12,111	-	-	-	12,111
Other fees	3,655	651	5,877	6,528	10,183
Other	2,513	5,000	1,311	6,311	8,824
Advertising	271	1,834	7,571	9,405	9,676
Dues and subscriptions	5,540	1,854	-	1,854	7,394
Insurance	2,207	2,207	-	2,207	4,414
Travel	1,339	365	-	365	1,704
Depreciation	454	225	225	450	904
TOTAL EXPENSES	\$ 362,719	\$ 56,494	\$ 53,400	\$ 109,894	\$ 472,613

See accompanying notes to financial statements.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2021

NOTE 1 - GENERAL

Healing Housing, Inc., (the “Organization”), was incorporated as non-profit organization in 2015, under the laws of the State of Tennessee, to restore purposeful living to women in recovery from drug and alcohol addiction by providing housing and supportive services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), which require the Organization to report information regarding its financial position and activities according to the following net asset classifications:

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’s 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, whereby the donor has stipulated the funds be maintained in perpetuity. Net assets with donor restrictions at year ended December 31, 2021, related to a donor initiated writing program and therefore purpose restricted.

Donor restricted contributions are reported as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Computer and Software

Computer and software are stated at cost less accumulated depreciation. The Organization’s capitalization policy is to capitalize any expenditure over \$1,000. Depreciation is provided utilizing the straight-line method over the estimated useful lives of the respective assets. Expenditures for repairs and maintenance are charged to expense as incurred. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except trade-ins) or loss is included in operations for the period.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support

Contributions, including unconditional promises to give, are recognized as revenues in the period the promise is made.

A contribution is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or right of release of a promisor's obligation to transfer assets exists. The presence of both a barrier and right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until the barrier(s) in the agreement are overcome.

Unconditional contributions of cash and other assets, including contributions receivable (unconditional promises to give), are recorded as revenue based upon any donor-imposed restrictions on the date of the donor's commitment or gift. Noncash contributions are recorded at the estimated fair value at the date of the gift.

Fundraising revenue is generated at events held during the year and is recognized when the events occur, which is when the Organization completes its performance obligation.

Revenue Recognition - Participant Fees

Participant fee income is related to the housing and supportive services provided for women and are recognized when the programmatic performance obligation is completed. Participants pay a weekly program fee, of which 60% will be returned upon completion of the six-month residence. The participant savings balances are accrued by the Organization and presented as Participant Liabilities in the Statement of Financial Position.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services

The following program and supporting services classifications are included in the accompanying financial statements:

Program Services:

Recovery services – relates to providing housing and supportive services for women in recovery from drug and alcohol addiction.

Supporting Services:

Management and General – relates to the overall direction of the Organization. These expenses are not identifiable with a particular program or with fundraising but are indispensable to the conduct of those activities and are essential to the Organization. Specific activities include organizational oversight, business management, recordkeeping, budgeting, financing and other administrative activities.

Fundraising – includes costs of activities directed toward appeals for financial support, including special events. Other activities include the cost of solicitations and the creation and distribution of fundraising materials.

Allocation of Functional Expenses

Expenses that can be directly attributed to a particular function are charged to that function. Certain costs have been allocated among more than one activity based on objectively evaluated financial and nonfinancial data or reasonable subjective methods determined by management. The salaries and related taxes and participant benefits, insurance, advertising, events, travel, supplies, printing, postage, repairs and maintenance, professional fees, professional development, other fees, miscellaneous and dues and subscriptions are allocated based on estimates of time expended on those resources. Depreciation, utilities, and rent are allocated based on space of the related use of the property.

Advertising and Marketing

Advertising and marketing costs are expensed as incurred and totaled \$9,676 for 2021.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization qualifies as a not-for-profit organization exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, income taxes are not provided.

Management performs an evaluation of all income tax positions taken or expected to be taken in the course of preparing the Organization's income tax returns to determine whether the income tax positions meet a "more likely than not" standard of being sustained under examination by the applicable taxing authorities. Management has performed its evaluation of all income tax positions taken on all open income tax returns and has determined that there were no positions taken that do not meet the "more likely than not" standard. Accordingly, there are no provisions for income taxes, penalties or interest receivable or payable relating to uncertain income tax positions in the accompanying financial statements.

Recent Authoritative Accounting Guidance

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU" 2016-02), *Leases (Topic 842)*. The guidance in this ASU supersedes the leasing guidance in *Topic 840, Leases*. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. In July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which makes narrow scope improvements to the standard for specific issues. In July 2018, the FASB also issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method allowing the standard to be applied at the adoption date. In March 2019, the FASB issued ASU 2019-01, *Leases (Topic 842) Codification Improvements*, which exempts entities from having to provide the interim disclosures required by Accounting Standards Codification ("ASC") 250-10-50-3 in the fiscal year in which an organization adopts the new leases standard.

A modified retrospective transition approach is required. An entity may adopt the guidance either (1) retrospectively to each prior reporting period presented in the financial statements with a cumulative-effect adjustment recognized at the beginning of the earliest comparative period presented or (2) retrospectively at the beginning of the period of adoption through a cumulative-effect adjustment. The new standard, which will be effective for the Organization January 1, 2022, provides a number of practical expedients. The Organization expects to adopt the guidance retrospectively at the beginning of the period of adoption, January 1, 2022, through a cumulative-effect adjustment.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2021 and November 11, 2022, the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31, 2021:

Financial assets at year end:	
Cash	\$ 535,579
Accounts receivable, net	<u>3,018</u>
	538,597
Less amounts not available to be used within one year:	
Net assets with donor restrictions	<u>2,018</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 540,615</u>

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Organization maintains cash balances at financial institutions whose accounts are insured by the Federal Deposit Insurance Corporation ("FDIC") up to statutory limits. The Organization's cash balances may, at times, exceed statutory limits. The Organization has not experienced any losses in such accounts and management considers this to be a normal business risk.

NOTE 5 - COMPUTER AND SOFTWARE

Computer and software consist of the following as of December 31, 2021:

Computer and software	\$ 3,580
Less accumulated depreciation	<u>(2,720)</u>
	<u>\$ 860</u>

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2021

NOTE 6 - LEASES

The Organization leases housing and office space at two different locations under operating leases both set to expire in November 2023.

Approximate future minimum lease payments required under operating leases as of December 31, 2021 follow:

2022	\$	67,200
2023		<u>61,600</u>
	\$	<u><u>128,800</u></u>