

HEALING HOUSING, INC.
FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITOR'S REPORT
DECEMBER 31, 2023 AND 2022

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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 statements of financial position as of December 31, 2023 and 2022, the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization as of December 31, 2023 and 2022, and 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.

BASIS FOR OPINION

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

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free 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 audits.

Kraj+CPAs PLLC

Nashville, Tennessee
November 12, 2024

HEALING HOUSING, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ASSETS</u>		
Cash and cash equivalents	\$ 242,222	\$ 583,069
Accounts receivable	2,018	4,018
Prepaid expenses	5,442	5,442
Investments	752,495	-
Security deposits	6,000	6,000
Property and equipment, net	29,320	-
Operating lease, right-of-use assets	-	61,400
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 1,037,497</u>	<u>\$ 659,929</u>
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>		
Accounts payable and accrued expenses	\$ 36,180	\$ 15,771
Participant liabilities	22,060	28,988
Operating lease liabilities	-	61,400
	<hr/>	<hr/>
	58,240	106,159
<u>NET ASSETS</u>		
Without donor restrictions	319,850	551,752
With donor restrictions	659,407	2,018
	<hr/>	<hr/>
TOTAL NET ASSETS	<u>979,257</u>	<u>553,770</u>
	<hr/>	<hr/>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,037,497</u>	<u>\$ 659,929</u>

See accompanying notes to financial statements.

HEALING HOUSING, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>			<u>2022</u>		
	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
REVENUE AND SUPPORT						
Contributions	\$ 427,698	\$ 657,389	\$ 1,085,087	\$ 551,794	\$ 4,995	\$ 556,789
Fundraising	188,107	-	188,107	148,706	-	148,706
Participant fees	25,441	-	25,441	21,585	-	21,585
Contributions of nonfinancial assets	17,092	-	17,092	30,254	-	30,254
Interest income	3,205	-	3,205	1,876	-	1,876
Realized gain on sale of investments	11,356	-	11,356	-	-	-
Unrealized gain on investments	2,471	-	2,471	-	-	-
Net assets released from restriction	-	-	-	4,995	(4,995)	-
TOTAL REVENUE AND SUPPORT	<u>675,370</u>	<u>657,389</u>	<u>1,332,759</u>	<u>759,210</u>	<u>-</u>	<u>759,210</u>
EXPENSES						
Program services	704,890	-	704,890	559,360	-	559,360
Supporting services:						
Management and general	78,031	-	78,031	78,249	-	78,249
Fundraising	124,351	-	124,351	88,940	-	88,940
TOTAL EXPENSES	<u>907,272</u>	<u>-</u>	<u>907,272</u>	<u>726,549</u>	<u>-</u>	<u>726,549</u>
CHANGE IN NET ASSETS	(231,902)	657,389	425,487	32,661	-	32,661
NET ASSETS - BEGINNING OF YEAR	<u>551,752</u>	<u>2,018</u>	<u>553,770</u>	<u>519,091</u>	<u>2,018</u>	<u>521,109</u>
NET ASSETS - END OF YEAR	<u>\$ 319,850</u>	<u>\$ 659,407</u>	<u>\$ 979,257</u>	<u>\$ 551,752</u>	<u>\$ 2,018</u>	<u>\$ 553,770</u>

See accompanying notes to financial statements.

HEALING HOUSING, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 425,487	\$ 32,661
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	3,258	860
Non-cash contributions of investments	(492,376)	-
Net realized and unrealized gains on investments	(13,827)	-
(Increase) decrease in:		
Accounts receivable	2,000	(1,000)
Prepaid expenses	-	1,522
Operating lease, right-of-use assets	(61,400)	(61,400)
Increase (decrease) in:		
Accounts payable and accrued expenses	20,409	3,219
Participant liabilities	(6,928)	10,228
Operating lease liabilities	61,400	61,400
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	<u>(61,977)</u>	<u>47,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of vehicle	(32,578)	-
Purchase of investments	(750,000)	-
Proceeds from sale of investments	503,708	-
NET CASH USED IN INVESTING ACTIVITIES	<u>(278,870)</u>	<u>-</u>
NET (DECREASE) INCREASE IN CASH	(340,847)	47,490
CASH - BEGINNING OF YEAR	<u>583,069</u>	<u>535,579</u>
CASH - END OF YEAR	<u>\$ 242,222</u>	<u>\$ 583,069</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Operating cash flow - payments on operating leases	<u>\$ 67,200</u>	<u>\$ 67,200</u>
NON-CASH ACTIVITIES:		
Right-of-use assets obtained in exchange for new operating lease liability	<u>\$ -</u>	<u>\$ 127,884</u>

See accompanying notes to financial statements.

HEALING HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Supporting Services		Total Supporting Services	Total Expenses
		Management and General	Fundraising		
Salaries and wages	\$ 151,511	\$ 29,774	\$ 48,199	\$ 77,973	\$ 229,484
Payroll taxes	12,349	2,427	3,929	6,356	18,705
Advertising	10,680	801	15,218	16,019	26,699
Bank fees	1,304	-	5,214	5,214	6,518
Depreciation	2,443	815	-	815	3,258
Donated goods and services	17,092	-	-	-	17,092
Dues and subscriptions	10,349	1,724	1,724	3,448	13,797
Events	2,379	-	17,442	17,442	19,821
Graduate services	59,808	-	-	-	59,808
Information technology	1,926	1,926	1,926	3,852	5,778
Insurance	11,470	93	-	93	11,563
Miscellaneous	20,178	1,240	668	1,908	22,086
Occupancy	88,690	3,399	-	3,399	92,089
Participant benefits	181,231	-	-	-	181,231
Professional development	4,327	-	-	-	4,327
Professional fees	42,843	31,435	27,603	59,038	101,881
Repairs and maintenance	45,776	-	-	-	45,776
Supplies, printing, phone and postage	7,427	3,016	2,428	5,444	12,871
Travel	18,230	597	-	597	18,827
Utilities	14,877	784	-	784	15,661
TOTAL EXPENSES	\$ 704,890	\$ 78,031	\$ 124,351	\$ 202,382	\$ 907,272

See accompanying notes to financial statements.

HEALING HOUSING, INC.

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Supporting Services</u>				<u>Total Expenses</u>
	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total Supporting Services</u>	
Salaries and wages	\$ 158,525	\$ 23,680	\$ 20,625	\$ 44,305	\$ 202,830
Payroll taxes	10,253	1,533	1,334	2,867	13,120
Advertising	13,681	2,037	17,212	19,249	32,930
Bank fees	1,297	278	5,466	5,744	7,041
Depreciation	645	215	-	215	860
Donated goods and services	27,354	2,900	-	2,900	30,254
Dues and subscriptions	9,920	1,654	1,654	3,308	13,228
Events	-	-	30,912	30,912	30,912
Grant writing	-	-	6,927	6,927	6,927
Information technology	3,274	784	2,031	2,815	6,089
Insurance	9,615	238	-	238	9,853
Miscellaneous	2,286	947	546	1,493	3,779
Occupancy	94,148	2,016	-	2,016	96,164
Participant benefits	174,768	-	-	-	174,768
Professional development	3,313	-	-	-	3,313
Professional fees	7,252	37,889	-	37,889	45,141
Repairs and maintenance	10,726	-	-	-	10,726
Supplies, printing, phone and postage	12,088	3,222	2,233	5,455	17,543
Travel	6,750	147	-	147	6,897
Utilities	13,465	709	-	709	14,174
TOTAL EXPENSES	<u>\$ 559,360</u>	<u>\$ 78,249</u>	<u>\$ 88,940</u>	<u>\$ 167,189</u>	<u>\$ 726,549</u>

See accompanying notes to financial statements.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2023 AND 2022

NOTE 1 - GENERAL

Healing Housing, Inc., (the “Organization”), was incorporated as a 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.

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 statements of activities.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Net realized and unrealized gains and losses are reflected in the statements of activities. Investment income is reported net of investment fees.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements

The Organization classifies its investments based on hierarchy consisting of: Level 1 (valued using quoted prices from active markets for identical assets), Level 2 (not traded on an active market, but for which observable market inputs are readily available), and Level 3 (valued based on significant, unobservable inputs).

An asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value on a recurring basis:

U.S. Treasury Bills: Investments in these instruments are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions and are classified within Level 2.

Property and Equipment

Property and equipment are reported at cost at the date of purchase or at estimated fair value at date of gift to the Organization. The Organization's policy is to capitalize purchases and or improvements with a cost of \$1,000 or more and an estimated useful life greater than one year. Depreciation is calculated by the straight-line method over the estimated useful lives of the assets which are five to seven years for equipment. 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.

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.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Support (Continued)

The Organization reports any gifts of property, equipment or materials at the estimated fair value at the date of gift as support without donor restrictions unless explicit donor restrictions specify how the assets must be used. Gifts of long-lived assets with explicit restrictions as to how the assets are to be used or funds restricted for the acquisition of long-lived assets are reported as net assets with donor restrictions. Expirations of donor restrictions are recognized when the donated or acquired long-lived assets are placed in service.

Donated services are recognized if they create or enhance non-financial assets, or the donated service requires specialized skills, were performed by a donor who possesses such skills, and would have been purchased by the Organization if not donated. Such services are recognized at fair value as support and expense in the period the services are performed.

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 statements of financial position.

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.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program and Supporting Services (Continued)

Supporting Services (Continued):

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. Salaries and related taxes, insurance, advertising, travel, supplies, printing, postage, professional fees, events, miscellaneous, information, technology and dues and subscriptions are allocated based on estimates of time expended on those resources. Depreciation, utilities and occupancy are allocated based on utilized square footage of the related use of the property.

Leases

The Organization made an accounting policy election available under Topic 842 not to recognize right-of-use (“ROU”) assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or January 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization used the discount rate implicit in the lease agreement, if readily determinable. For leases in which the rate implicit in the lease agreement is not readily determinable, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

Advertising and Marketing

Advertising and marketing costs are expensed as incurred and totaled \$26,699 for 2023 (\$32,930 for December 31, 2022).

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. The Organization files a U.S. federal Form 990 for organizations exempt from income tax.

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.

Events Occurring After Reporting Date

The Organization has evaluated events and transactions that occurred between December 31, 2023 and November 12, 2024, the date that the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Codification ("ASC") Topic 842, *Leases*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their statement of financial position as a ROU asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the statements of activities. The Organization adopted Topic 842 on January 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements.

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

The Organization elected the “package of practical expedients” under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases.

The Organization has not elected to adopt the “hindsight” practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on January 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization’s operating leases of approximately \$128,000, at January 1, 2022. The adoption of the new lease standard did not materially impact net earnings or cash flows and did not result in a cumulative-effect adjustment to the opening balance of net assets.

NOTE 4 - 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:

	<u>2023</u>	<u>2022</u>
Financial assets at year end:		
Cash	\$ 242,222	\$ 583,069
Accounts receivable	2,018	4,018
Investments	<u>752,495</u>	<u>-</u>
	996,735	587,087
Less amounts not available to be used within one year:		
Net assets with donor restrictions	<u>659,407</u>	<u>2,018</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 337,328</u>	<u>\$ 585,069</u>

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 5 - 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.

Contributions from one donor amounted to \$502,589 and approximately 38% of total revenue for the year ended December 31, 2023. There were no such concentrations of revenue for the year ended December 31, 2022.

NOTE 6 - FAIR VALUE MEASUREMENTS

The following table sets forth the Organization’s major categories of assets and liabilities measured at fair value on a recurring basis, by input level within the fair value hierarchy, as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. Treasury Bills	<u>\$ -</u>	<u>\$ 752,495</u>	<u>\$ -</u>	<u>\$ 752,495</u>

NOTE 7 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following as of December 31:

	<u>2023</u>	<u>2022</u>
Computer and software	\$ 3,580	\$ 3,580
Vehicles	<u>32,578</u>	<u>-</u>
	36,158	3,580
Less accumulated depreciation	<u>(6,838)</u>	<u>(3,580)</u>
	<u>\$ 29,320</u>	<u>\$ -</u>

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purchases:		
Housing purchase	\$ 502,589	\$ -
Uprising training camp	76,800	-
Transport van	28,000	-
Community building initiative	25,000	-
Alumni mental health support	15,000	-
Weekly counseling program	10,000	-
Writing program	<u>2,018</u>	<u>2,018</u>
Total net assets with donor restrictions	<u>\$ 659,407</u>	<u>\$ 2,018</u>

NOTE 9 - LEASES

The Organization leases two buildings under operating lease agreements that have initial term of two years. The leases contain termination options, where the rights to terminate are held by either the Organization, the lessor or both parties. Operating lease cost is recognized on a straight-line basis over the lease term.

The components of lease expense are as follows for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Operating lease cost	<u>\$ 67,200</u>	<u>\$ 67,200</u>
Total lease cost	<u>\$ 67,200</u>	<u>\$ 67,200</u>

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 9 - LEASES (CONTINUED)

Additional information related to leases is as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Operating leases:		
Operating lease, right-of-use assets	\$ <u> -</u>	\$ <u> 61,400</u>
Operating lease liabilities, current	\$ <u> -</u>	\$ <u> 61,400</u>
Weighted-average remaining lease term:		
Operating leases	0.00 years	0.92 years
Weighted-average discount rate:		
Operating leases	0.00%	0.78%

As of November 2023, original lease agreements expired and buildings were leased on a month-to-month basis. Subsequent to year end, in March 2024, the Organization purchased four houses located in Nashville, Tennessee, to be utilized as program participant housing.

NOTE 10 - CONTRIBUTIONS OF NONFINANCIAL ASSETS

Contributions of nonfinancial assets of goods and services recognized by the Organization as contributions of nonfinancial assets revenue and related expenses for the years ended December 31 consisted of the following:

	<u>2023</u>	<u>2022</u>
Facilities	\$ -	\$ 2,900
Furniture and appliances	600	1,000
Gift cards	425	2,592
Clothing and household items	12,320	2,850
Hearing aids	-	5,155
Services	-	14,257
Musical instruments	2,532	-
Food and other	1,215	1,500
	<u>\$ 17,092</u>	<u>\$ 30,254</u>

HEALING HOUSING, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

DECEMBER 31, 2023 AND 2022

NOTE 10 - CONTRIBUTIONS OF NONFINANCIAL ASSETS (CONTINUED)

The Organization was provided various professional services, including event photography, architectural design, hearing care and other services, at no cost. Such services are valued and reported at the estimated fair value in the financial statements based on current market rates for such services. There are no donor-imposed restrictions associated with any of the contributions of nonfinancial assets.

NOTE 11 - SUBSEQUENT EVENT

In April 2024, the Organization entered into a note agreement with a financial institution for the purchase of four properties to be utilized in the housing of program participants. The initial principal amount of the loan is \$2,500,000 maturing in March 2034.