

ROOM IN THE INN, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2021 and 2020

And Report of Independent Auditor

ROOM IN THE INN, INC.
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Report of Independent Auditor

To the Board of Directors
Room In The Inn, Inc.
Nashville, Tennessee

We have audited the accompanying financial statements of Room In The Inn, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Room In The Inn, Inc. as of June 30, 2021 and 2020, 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.

Cherry Bekaert LLP

Nashville, Tennessee
December 15, 2021

ROOM IN THE INN, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 3,462,889	\$ 3,072,480
Contract and grants receivable	54,273	74,464
Prepaid expenses	98,328	69,114
Total Current Assets	3,615,490	3,216,058
Investments	1,328,617	1,507,828
Real estate held for resale	-	2,002,500
Land, building, and equipment, net	12,922,680	10,160,886
Total Assets	\$ 17,866,787	\$ 16,887,272
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 550,179	\$ 426,358
Notes payable, current portion	368,749	226,396
Total Current Liabilities	918,928	652,754
Agency obligation payable	-	2,002,500
Deferred grant revenue	-	425,000
Notes payable, noncurrent portion	3,272,433	1,158,265
Total Liabilities	4,191,361	4,238,519
Net Assets:		
Without donor restrictions	13,675,426	12,423,753
With donor restrictions	-	225,000
Total Net Assets	13,675,426	12,648,753
Total Liabilities and Net Assets	\$ 17,866,787	\$ 16,887,272

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 2,454,944	\$ -	\$ 2,454,944
Grants and contracts	1,031,931	-	1,031,931
In-kind contributions	753,937	-	753,937
Paycheck Protection Program loan forgiveness	425,000	-	425,000
Gain on sale of assets	309,579	-	309,579
Unrealized gain on investments	237,653	-	237,653
Other	234,516	-	234,516
Net assets released from restrictions	225,000	(225,000)	-
Total Revenues	5,672,560	(225,000)	5,447,560
Expenses:			
Program services	3,688,280	-	3,688,280
Supporting services	732,607	-	732,607
Total Expenses	4,420,887	-	4,420,887
Change in net assets	1,251,673	(225,000)	1,026,673
Net assets, beginning of year	12,423,753	225,000	12,648,753
Net assets, end of year	\$ 13,675,426	\$ -	\$ 13,675,426

The accompanying notes to the financial statements are an integral part of this statement.

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions	\$ 2,204,625	\$ -	\$ 2,204,625
Grants and contracts	1,136,175	-	1,136,175
In-kind contributions	758,545	-	758,545
Other	298,417	-	298,417
Net assets released from restrictions	82,481	(82,481)	-
Total Revenues	<u>4,480,243</u>	<u>(82,481)</u>	<u>4,397,762</u>
Expenses:			
Program services	3,807,156	-	3,807,156
Supporting services	804,182	-	804,182
Total Expenses	<u>4,611,338</u>	<u>-</u>	<u>4,611,338</u>
Change in net assets	(131,095)	(82,481)	(213,576)
Net assets, beginning of year	<u>12,554,848</u>	<u>307,481</u>	<u>12,862,329</u>
Net assets, end of year	<u>\$ 12,423,753</u>	<u>\$ 225,000</u>	<u>\$ 12,648,753</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	Program Services							Supporting Services			
								Fundraising and Community Development		Subtotal	Total
	Day Center	Veterans	Guest House	Respite	Permanent Housing	Room In The Inn	Subtotal	Management and General			
Salaries and related expenses	\$ 556,078	\$ 489,172	\$ 416,296	\$ 110,722	\$ 70,606	\$ 68,232	\$ 1,711,106	\$ 312,322	\$ 246,009	\$ 558,331	\$ 2,269,437
Depreciation	119,077	57,486	53,380	32,849	135,502	-	398,294	12,318	-	12,318	410,612
Food (including \$340,500 in-kind)	-	112,565	191,181	71,291	-	-	375,037	-	-	-	375,037
Utilities	61,246	29,205	35,538	16,689	75,939	-	218,617	9,903	-	9,903	228,520
Professional fees	42,852	22,046	17,242	13,447	6,234	9,520	111,341	20,873	47,901	68,774	180,115
Rent expense in-kind	-	42,000	71,400	26,600	-	-	140,000	-	-	-	140,000
Maintenance and security	65,732	42,331	30,186	16,904	79,520	520	235,193	6,799	-	6,799	241,992
Supplies (including \$189,437 in-kind)	34,679	21,620	38,591	10,754	419	27,736	133,799	947	1,048	1,995	135,794
Laundry in-kind	-	25,200	42,840	15,960	-	-	84,000	-	-	-	84,000
Miscellaneous	12,703	448	4,681	274	100	55,068	73,274	48,276	16,372	64,648	137,922
Insurance	23,383	12,635	10,997	7,414	19,352	2,172	75,953	3,832	2,715	6,547	82,500
Transportation	-	2,160	3,830	1,368	-	-	7,358	-	-	-	7,358
Program materials	14,238	8,647	12,876	2,770	5,961	12,415	56,907	-	-	-	56,907
Office equipment maintenance	2,316	1,544	1,201	944	343	686	7,034	686	858	1,544	8,578
Birth certificates and fees	3,711	92	-	-	-	40	3,843	-	-	-	3,843
Interest expense	16,899	8,158	7,575	4,662	19,230	-	56,524	1,748	-	1,748	58,272
	<u>\$ 952,914</u>	<u>\$ 875,309</u>	<u>\$ 937,814</u>	<u>\$ 332,648</u>	<u>\$ 413,206</u>	<u>\$ 176,389</u>	<u>\$ 3,688,280</u>	<u>\$ 417,704</u>	<u>\$ 314,903</u>	<u>\$ 732,607</u>	<u>\$ 4,420,887</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2020

	Program Services							Supporting Services			
	Day Center	Veterans	Guest House	Respite	Permanent Housing	Room In The Inn	Subtotal	Management and General	Fundraising and Community Development	Subtotal	Total
Salaries and related expenses	\$ 531,706	\$ 455,529	\$ 396,311	\$ 182,473	\$ 90,302	\$ 51,506	\$ 1,707,827	\$ 279,276	\$ 281,722	\$ 560,998	\$ 2,268,825
Depreciation	127,684	62,212	57,768	36,731	146,642	-	431,037	13,331	-	13,331	444,368
Food (including \$340,500 in-kind)	134	28,342	221,836	82,645	-	102,150	435,107	-	-	-	435,107
Supplies (including \$194,045 in-kind)	31,215	18,822	82,634	41,964	605	54,416	229,656	1,210	2,130	3,340	232,996
Utilities	62,421	29,016	34,356	16,580	77,065	-	219,438	8,745	-	8,745	228,183
Maintenance and security	51,164	62,122	22,327	12,583	57,121	160	205,477	4,597	-	4,597	210,074
Professional fees	43,828	21,034	17,374	12,795	7,887	8,972	111,890	19,208	46,849	66,057	177,947
Rent expense in-kind	-	-	71,400	26,600	-	42,000	140,000	-	-	-	140,000
Miscellaneous	5,658	174	2,914	106	39	39,967	48,858	32,716	26,410	59,126	107,984
Laundry in-kind	-	-	42,840	15,960	-	25,200	84,000	-	-	-	84,000
Bad debt expense	-	-	-	-	-	-	-	79,730	-	79,730	79,730
Insurance	22,395	12,100	10,531	7,100	18,551	2,076	72,753	3,668	2,595	6,263	79,016
Transportation	39,359	4,992	7,802	1,837	-	513	54,503	-	-	-	54,503
Program materials	14,922	2,035	11,918	1,301	435	9,345	39,956	-	-	-	39,956
Interest expense	3,047	1,471	1,366	841	3,468	-	10,193	315	-	315	10,508
Office equipment maintenance	2,520	1,680	1,307	1,027	373	747	7,654	747	933	1,680	9,334
Birth certificates and fees	8,338	205	40	-	-	224	8,807	-	-	-	8,807
	<u>\$ 944,391</u>	<u>\$ 699,734</u>	<u>\$ 982,724</u>	<u>\$ 440,543</u>	<u>\$ 402,488</u>	<u>\$ 337,276</u>	<u>\$ 3,807,156</u>	<u>\$ 443,543</u>	<u>\$ 360,639</u>	<u>\$ 804,182</u>	<u>\$ 4,611,338</u>

The accompanying notes to the financial statements are an integral part of this statement.

ROOM IN THE INN, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2021 AND 2020

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,026,673	\$ (213,576)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	410,612	444,368
Bad debt expense	-	79,730
Gain on disposal of building and equipment	(322,000)	(137,608)
Net realized and unrealized gain on investments	(237,653)	(45,304)
Paycheck Protection Program forgiveness	(425,000)	-
Change in operating assets and liabilities:		
Contract and grants receivable	20,191	(11,635)
Contributions receivable, net	-	2,751
Prepaid expenses	(29,214)	(42,385)
Property and equipment	-	(34,220)
Accounts payable and accrued expenses	123,821	425,000
Net cash flows from operating activities	<u>567,430</u>	<u>467,121</u>
Cash flows from investing activities:		
Purchase of investments	(182,725)	(602,918)
Proceeds from sale of investments	599,589	815,077
Purchase of land, building, and equipment	(3,177,240)	-
Payment of agency obligation payable	(2,002,500)	-
Proceeds from sale of land, building, and equipment	2,329,334	-
Net cash flows from investing activities	<u>(2,433,542)</u>	<u>212,159</u>
Cash flows from financing activities:		
Proceeds from long-term debt	2,592,500	-
Payments on long-term debt	(335,979)	(233,042)
Net cash flows from financing activities	<u>2,256,521</u>	<u>(233,042)</u>
Net increase in cash and cash equivalents	390,409	446,238
Cash and cash equivalents, beginning of year	3,072,480	2,626,242
Cash and cash equivalents, end of year	<u>\$ 3,462,889</u>	<u>\$ 3,072,480</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 58,272</u>	<u>\$ 10,508</u>
Supplemental disclosure of noncash investing and financing activities:		
Donated real estate and related agency obligation payable	<u>\$ -</u>	<u>\$ (2,002,500)</u>

The accompanying notes to the financial statements are an integral part of these statements.

ROOM IN THE INN, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of organization and significant accounting policies

Organization – Room In The Inn, Inc. (“RITI”) is a religious non-profit organization based in Nashville, Tennessee. RITI is committed to providing enhanced services to the homeless while improving the system by which these services are delivered. RITI administers a variety of programs to provide a continuum of care that is emergency and long-term, residential, and educational. The following is a description of selected RITI programs. The Day Center serves homeless individuals with daytime shelter and educational opportunities throughout the year. The Guest House serves homeless substance abusers by offering shelter to individuals who are undergoing alcohol and drug addiction treatment through a partnership with United Neighborhood Health and the chronic homeless program through the Veteran’s Administration. It also provides transitional housing and supportive services for homeless men from the general population. The Veterans program provides transitional housing and supportive services to homeless veterans. The Permanent Housing program provides income-based housing for up to 38 homeless participants. Respite offers homeless individuals who are medically fragile a place to recover. RITI, in partnership with more than 180 Middle Tennessee congregations, provides shelter for an average of 250 men, women, and children each evening during the winter months.

Basis of Presentation – In accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) guidelines, RITI reports information regarding its financial position and activities according to two classes of net assets based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of RITI and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions, and may be expended for any purpose in performing the primary objectives of RITI. These net assets may be used at the discretion of RITI’s management and 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 RITI or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. None of RITI’s net assets with donor restrictions are required to be held in perpetuity by the donors at June 30, 2021 and 2020.

Cash and Cash Equivalents – For purposes of the statements of cash flows, RITI considers all unrestricted highly-liquid investments with an initial maturity of three months or less to be cash equivalents. The cash accounts are held primarily by financial institutions and at times may exceed amounts that are federally insured.

Contributions Receivable – Contributions are recognized when the donor makes a promise to give to RITI that is, in substance, unconditional. Contributions are recognized when received as contributions without restriction if specified for the current period and there are no donor-imposed restrictions. Contributions specified for future periods or with donor-imposed restrictions are recognized in the period received as contributions with restrictions. Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions are satisfied in the year in which the contributions are recognized.

RITI uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on prior years’ experience and management’s analysis of specific promises made.

Investments – RITI accounts for investments using FASB ASC guidance for investments by nonprofit organizations. Under this guidance, investments in marketable securities with readily determinable fair values and other readily marketable assets are valued at their fair values in the statements of financial position. Unrealized gains and losses are included in the change in net assets. See Note 4 for additional information on fair value measurements.

ROOM IN THE INN, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of organization and significant accounting policies (continued)

Land, Building, and Equipment – RITI capitalizes all expenditures for land, building, and equipment in excess of \$1,000. Purchases of land, building, and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over estimated useful lives of 5 to 39 years.

Income Taxes – RITI is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not a private foundation. Accordingly, no provision for income taxes has been made in the accompanying financial statements.

RITI follows FASB ASC guidance related to unrecognized tax benefits. The guidance clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. RITI has no tax penalties or interest reported in the accompanying financial statements.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Donated Materials and Services – Donated materials and equipment, if any, are reflected as contributions in the accompanying financial statements at their estimated values at the date of receipt.

Donated use of facilities is recorded at the estimated fair market value.

Contributions of donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Additionally, a number of non-professional volunteers donated approximately 9,984 and 138,000 hours during the years ended June 30, 2021 and 2020, respectively, to RITI's program services. However, these services do not meet the requirements above and have not been recorded.

Functional Allocation of Expenses – The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. While most costs have been directly assigned to a functional category, certain joint costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis. Expenses that are allocated consist primarily of salaries and wages expense which is allocated based on time and effort.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 1—Nature of organization and significant accounting policies (continued)

Recently Adopted Accounting Pronouncements – In May 2014, FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. ASU 2014-09 clarifies the principles for recognizing revenue and develops a common revenue standard under U.S. GAAP under which an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for RITI for the year ending June 30, 2021. RITI adopted the provisions of ASU 2014-09 and the related ASUs as of July 1, 2020 using a modified retrospective approach, which resulted in no cumulative effect adjustment to net assets as of July 1, 2020. There was no change in the timing and amount of revenue recognition as a result of the adoption of these ASUs. Certain categories of revenue are not encompassed within the scope of the new ASU including contributions and grants revenue. See Note 3 for additional information related to revenue recognition.

Accounting Policies for Future Pronouncements – In February 2016, FASB issued ASU 2016-02, *Leases*. The standard requires all leases with lease terms over 12 months to be capitalized as a right-of-use asset and lease liability on the statement of financial position at the date of lease commencement. Leases will be classified as either finance or operating. This distinction will be relevant for the pattern of expense recognition in the statement of activities. This standard will be effective for the fiscal year ending June 30, 2023. RITI is currently evaluating the effect of the implementation of this new standard.

Subsequent Events – RITI has evaluated subsequent events and transactions that occurred between June 30, 2021 and December 15, 2021, the date the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

Note 2—Liquidity and availability of resources

RITI has a goal to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. RITI considers general expenditures to be all expenditures related to its ongoing activities of achieving its mission.

The following table represents RITI's financial assets as of June 30, 2021 and 2020, reduced by amounts not available for general expenditure within one year:

	2021	2020
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,462,889	\$ 3,072,480
Contracts and grants receivable	54,273	74,464
Investments	1,328,617	1,507,828
Total financial assets	4,845,779	4,654,772
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	-	(225,000)
Financial assets available to meet general expenditures within one year	<u>\$ 4,845,779</u>	<u>\$ 4,429,772</u>

ROOM IN THE INN, INC.

NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 3—Revenue and receivables

On July 1, 2020, RITI adopted Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers*, using the modified retrospective approach. RITI determined there was no cumulative effect adjustment to net assets upon adoption of the new revenue standard as of July 1, 2020. Under ASC 606, revenue is recognized when RITI transfers the promised goods or services to a customer in an amount that reflects consideration that is expected to be received for those goods and services.

Performance Obligations – A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of account under ASC 606. The transaction price is allocated to each distinct performance obligation and is recognized as revenue when, or as, each performance obligation is satisfied. RITI’s primary revenue streams do not fall within the scope of ASC 606.

Accounts Receivable – Accounts receivable relating to grants and pledges totaled \$54,273 and \$74,464 at June 30, 2021 and 2020, respectively. There were no write-offs of contributions receivable for the year ended June 30, 2021. Contributions receivable of \$79,730 were written off for the year ended June 30, 2020.

Note 4—Fair value measurement of investments

RITI has adopted the provisions of the *Fair Value Measurement* topic of FASB ASC. This guidance establishes a framework for measuring fair value of financial assets and financial liabilities. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that RITI has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by the observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Fair value measurement of investments (continued)

The 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 need to maximize the use of observable inputs and minimize the use of unobservable inputs. A description of valuation methodologies used for assets measured at fair value are as follows:

Cash Sweep and Equities – Common stocks: valued at the closing price reported on the active market on which the securities are traded.

Fixed Income – Corporate bonds: valued at the present value of the bond's par value and the remaining coupon payments.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while RITI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the RITI's assets at fair value as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
Cash sweep	\$ 43,800	\$ -	\$ -	\$ 43,800
Equities - common stocks:				
Technology	171,426	-	-	171,426
Industrial goods	136,535	-	-	136,535
Consumer goods	107,429	-	-	107,429
Financial	136,420	-	-	136,420
Healthcare	61,527	-	-	61,527
Utilities	59,545	-	-	59,545
Basic materials	41,101	-	-	41,101
Services	15,688	-	-	15,688
Total equities - common stocks	729,671	-	-	729,671
Fixed income corporate bonds:				
Financial	178,744	-	-	178,744
Consumer goods	106,878	-	-	106,878
Healthcare	80,517	-	-	80,517
Industrial goods	58,513	-	-	58,513
Technology	54,399	-	-	54,399
Utilities	76,095	-	-	76,095
Total fixed income - corporate bonds	555,146	-	-	555,146
Total investments	\$ 1,328,617	\$ -	\$ -	\$ 1,328,617

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 4—Fair value measurement of investments (continued)

The following table sets forth by level, within the fair value hierarchy, the RITI's assets at fair value as of June 30, 2020:

	Level 1	Level 2	Level 3	Total
Cash sweep	\$ 164,414	\$ -	\$ -	\$ 164,414
Equities - common stocks:				
Technology	192,162	-	-	192,162
Industrial goods	153,847	-	-	153,847
Consumer goods	150,812	-	-	150,812
Financial	99,073	-	-	99,073
Healthcare	78,432	-	-	78,432
Utilities	67,751	-	-	67,751
Basic materials	65,503	-	-	65,503
Services	23,265	-	-	23,265
Total equities - common stocks	830,845	-	-	830,845
Fixed income corporate bonds:				
Financial	154,981	-	-	154,981
Consumer goods	109,323	-	-	109,323
Healthcare	81,373	-	-	81,373
Industrial goods	59,383	-	-	59,383
Technology	55,650	-	-	55,650
Utilities	51,859	-	-	51,859
Total fixed income - corporate bonds	512,569	-	-	512,569
Total investments	\$ 1,507,828	\$ -	\$ -	\$ 1,507,828

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 5—Land, building, and equipment

Land, building, and equipment is summarized as follows at June 30:

	2021	2020
Land and buildings	\$ 13,404,651	\$ 10,372,930
Leasehold improvements	2,827,354	2,827,354
Furniture and laundry equipment	759,034	726,746
Office equipment	864,083	789,306
Vehicles	53,885	35,450
	<u>17,909,007</u>	<u>14,751,786</u>
Less accumulated depreciation	<u>(4,986,327)</u>	<u>(4,590,900)</u>
Land, building, and equipment, net	<u><u>\$ 12,922,680</u></u>	<u><u>\$ 10,160,886</u></u>

There are restrictions on certain property owned by RITI. The real estate restrictions by the Department of Housing and Urban Development require RITI to operate the transitional housing facilities for a period of 10 years from the initial occupancy. Additionally, Metropolitan Development and Housing Agency ("MDHA") grant funds have placed restrictions on leasehold improvements and office equipment that require RITI to use the assets for the benefit of homeless individuals.

Note 6—Real Estate Held for Resale

In 2020, RITI transferred ownership of real estate from a member of its Board of Directors that is under contract for sale. In connection with the transfer of ownership, RITI has agreed to act as agent for the Catholic Diocese of Nashville ("Diocese") and remit to for the benefit of the Diocese \$2,002,500 from the sale of this real estate. RITI will retain any proceeds in excess of \$2,002,500. During 2021 the real estate was sold for approximately \$2,325,000 resulting in a gain on sale of \$322,000. The asset held for sale and corresponding agency obligation were removed from the statement of financial position and the gain on sales was recorded on the statement of activities during 2021.

Note 7—Deferred grant revenue

In 2020, RITI received a Paycheck Protection Program ("PPP") loan in the amount of \$425,000. The PPP loan was granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). PPP loans are considered conditional contributions under ASC 958-605, *Not-for-Profit Entities – Revenue Recognition*. The PPP loan must be repaid if RITI does not overcome certain barriers within the CARES Act. The barriers under the program include the requirement to maintain employee headcount, spend up to 60% of the loan proceeds on certain payroll and employee benefits, and restricts other loan proceeds to be used for other qualifying expenses such as mortgage interest, rent, and utilities. During 2021, RITI completed the forgiveness application process upon completion of the applicable 24-week period and received notice on November 5, 2020 that the PPP loan has been forgiven. RITI reflected the original loan amount as loan forgiveness revenue on the statement of activities for the year ended June 30, 2021.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 8—Notes payable

In conjunction with the purchase and construction of buildings, RITI has notes payable consisting of the following at June 30:

	<u>2021</u>	<u>2020</u>
Note payable to a financial institution payable in monthly principal installments of \$6,662. Interest is calculated at the bank's prime rate less 400 basis points not to fall below 0.00%. The note matures December 2026, as amended, and is secured by a deed of trust.	\$ 420,037	\$ 506,650
Note payable to a financial institution payable in monthly principal installments of \$6,648. Interest is calculated at the bank's prime rate less 400 basis points not to fall below 0.00%. The note matures December 2026, as amended, and is secured by a deed of trust.	432,135	511,913
Note payable to a financial institution payable in monthly principal installments of \$5,556. Interest is calculated at the bank's prime rate less 400 basis points not to fall below 0.00%. The note matures January 2026 and is secured by a deed of trust.	300,003	366,098
Note payable to a financial institution payable in monthly principal installments of \$17,890. Interest is fixed at 2.99%. The note matures August 2025 and is secured by a deed of trust. The note requires RITI maintain minimum liquidity and net assets balances at all times.	2,489,007	-
	<u>\$ 3,641,182</u>	<u>\$ 1,384,661</u>

Future principal payments on the notes are as follows at June 30:

Years Ending June 30,

2022	\$ 368,749
2023	373,064
2024	377,510
2025	382,091
2026	2,091,796
Thereafter	47,972
	<u>\$ 3,641,182</u>

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 9—Donated materials and services

RITI received in-kind contributions as follows during the years ended June 30:

	2021	2020
Food	\$ 340,500	\$ 340,500
Supplies	189,437	194,045
Rental facilities	140,000	140,000
Laundry services	84,000	84,000
Total in-kind contributions	<u>\$ 753,937</u>	<u>\$ 758,545</u>

The property located at Eighth Avenue South is leased on a long-term basis from MDHA. The payment of monthly rent is currently suspended and RITI recorded in-kind rent of \$89,475 for 2021 and 2020. The lease requires the property to be used for programs to help the homeless and the Guest House operations. The property at 625 Benton Avenue is used by RITI programs. This property is provided to RITI by MDHA and requires the property to be used to assist the homeless. The payment of monthly rent is suspended and RITI recorded in-kind rent of \$36,000 for 2021 and 2020. The property located on Fifteenth Avenue is used by RITI programs. The property is provided to RITI by Belmont University and requires the property to be used for transitional housing. The payment of monthly rent is suspended and RITI recorded in-kind rent of \$14,525 for 2021 and 2020.

In-kind food represents donations of food to RITI and meals provided to individuals participating in RITI's various programs.

Note 10—Concentrations

RITI receives a significant amount of its support from contracts and grants from government agencies. RITI also receives a significant amount of financial and other support from religious organizations. A major reduction of support from these organizations, should this occur, could have a material effect on the financial position of RITI.

In addition, cash and cash equivalent balances are held primarily by financial institutions and at times may exceed federally insured limits. Cash and cash equivalents exceeded federally insured limits by approximately \$2,609,424 and \$1,900,000 at June 30, 2021 and 2020, respectively.

RITI utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

ROOM IN THE INN, INC.
NOTES TO THE FINANCIAL STATEMENTS

JUNE 30, 2021 AND 2020

Note 11—Employee retirement plan

RITI adopted a defined contribution plan effective January 1, 1997. The plan covers all employees who are at least 21 years of age and have completed 90 days of service. RITI does not match employee contributions to the defined contribution plan.

Note 12—Uncertainty

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic which continues to spread throughout the world and has adversely impacted global commercial activity and contributed to significant volatility in the financial markets. The coronavirus outbreak and government responses are creating disruption to global supply chains and adversely impacting many industries. The outbreak has caused a material, adverse impact on the economic and market conditions. The rapid development and fluidity of this situation precludes any prediction as to the ultimate material, adverse impact of the coronavirus outbreak. Nevertheless, the outbreak presents uncertainty and risk with respect to RITI, its performance, and its financial results.