

ROOM IN THE INN, INC.

FINANCIAL STATEMENTS

As of and for the Years Ended June 30, 2022 and 2021

And Report of Independent Auditor

ROOM IN THE INN, INC.
TABLE OF CONTENTS

REPORT OF INDEPENDENT AUDITOR..... 1-2

FINANCIAL STATEMENTS

 Statements of Financial Position 3

 Statements of Activities 4-5

 Statements of Functional Expenses 6-7

 Statements of Cash Flows..... 8

 Notes to the Financial Statements..... 9-17

Report of Independent Auditor

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

Opinion

We have audited the accompanying financial statements of Room In The Inn, Inc. (a nonprofit organization) (the "Organization"), which comprise the statements of financial position as of June 30, 2022 and 2021, and 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 financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibility of Management 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.

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 Organization's ability to continue as a going concern within one year after the date 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 generally accepted auditing standards 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 generally accepted auditing standards, 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 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 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.

Cherry Bekaert LLP

Nashville, Tennessee
January 10, 2023

ROOM IN THE INN, INC.
STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Cash and cash equivalents	\$ 3,418,229	\$ 3,462,889
Contract and grants receivable	87,310	54,273
Employee Retention Credit receivable	840,406	-
Prepaid expenses	99,494	98,328
Total Current Assets	4,445,439	3,615,490
Investments	1,276,623	1,328,617
Land, building, and equipment, net	14,531,891	12,922,680
Total Assets	\$ 20,253,953	\$ 17,866,787
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 582,818	\$ 550,179
Notes payable, current portion	436,698	368,749
Total Current Liabilities	1,019,516	918,928
Notes payable, noncurrent portion	4,178,276	3,272,433
Total Liabilities	5,197,792	4,191,361
Net Assets		
Without donor restrictions	15,056,161	13,675,426
Total Net Assets	15,056,161	13,675,426
Total Liabilities and Net Assets	\$ 20,253,953	\$ 17,866,787

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

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:			
Contributions of cash and other financial assets	\$ 2,893,175	\$ -	\$ 2,893,175
Grants and contracts	1,313,956	-	1,313,956
Employee Retention Credit	840,406	-	840,406
Contributions of nonfinancial assets	690,953	-	690,953
Other	253,568	-	253,568
Unrealized loss on investments	(41,001)	-	(41,001)
Total Revenues	<u>5,951,057</u>	<u>-</u>	<u>5,951,057</u>
Expenses:			
Program services	3,873,539	-	3,873,539
Supporting services	696,783	-	696,783
Total Expenses	<u>4,570,322</u>	<u>-</u>	<u>4,570,322</u>
Change in net assets	1,380,735	-	1,380,735
Net assets, beginning of year	<u>13,675,426</u>	<u>-</u>	<u>13,675,426</u>
Net assets, end of year	<u>\$ 15,056,161</u>	<u>\$ -</u>	<u>\$ 15,056,161</u>

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

ROOM IN THE INN, INC.
STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Contributions of cash and other assets	\$ 2,454,944	\$ -	\$ 2,454,944
Grants and contracts	1,031,931	-	1,031,931
Contributions of nonfinancial assets	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	<u>5,672,560</u>	<u>(225,000)</u>	<u>5,447,560</u>
Expenses:			
Program services	3,688,280	-	3,688,280
Supporting services	732,607	-	732,607
Total Expenses	<u>4,420,887</u>	<u>-</u>	<u>4,420,887</u>
Change in net assets	1,251,673	(225,000)	1,026,673
Net assets, beginning of year	<u>12,423,753</u>	<u>225,000</u>	<u>12,648,753</u>
Net assets, end of year	<u>\$ 13,675,426</u>	<u>\$ -</u>	<u>\$ 13,675,426</u>

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

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	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	\$ 635,119	\$ 406,046	\$ 395,613	\$ 103,545	\$ 98,851	\$ 99,982	\$ 1,739,156	\$ 273,214	\$ 237,478	\$ 510,692	\$ 2,249,848
Depreciation	153,751	74,224	68,923	42,414	174,958	-	514,270	15,905	-	15,905	530,175
Food (including \$340,500 in-kind)	61	26,098	218,022	81,224	-	102,150	427,555	-	-	-	427,555
Utilities	61,723	29,602	37,189	16,916	77,025	-	222,455	9,161	-	9,161	231,616
Professional fees	37,317	19,572	15,305	11,939	5,525	8,454	98,112	19,820	46,568	66,388	164,500
Rent expense in-kind	-	-	71,400	26,600	-	42,000	140,000	-	-	-	140,000
Maintenance and security	43,243	22,137	20,989	12,348	50,796	478	149,991	4,525	-	4,525	154,516
Supplies (including \$126,453 in-kind)	12,160	12,117	77,457	28,340	276	39,651	170,001	1,244	791	2,035	172,036
Laundry in-kind	-	-	42,840	15,960	-	25,200	84,000	-	-	-	84,000
Miscellaneous	9,676	5,649	4,393	3,452	1,255	43,017	67,442	52,181	16,352	68,533	135,975
Insurance	24,614	13,084	11,492	7,649	21,547	1,934	80,320	3,805	2,418	6,223	86,543
Transportation	1,624	3	721	2	-	248	2,598	-	-	-	2,598
Program materials	24,764	3,241	8,873	1,812	1,218	7,807	47,715	76	-	76	47,791
Office equipment maintenance	2,992	1,995	1,552	1,219	443	887	9,088	887	1,108	1,995	11,083
Bad debt expense	-	-	-	-	-	-	-	8,209	-	8,209	8,209
Birth certificates and fees	22,527	(12)	-	-	-	-	22,515	-	-	-	22,515
Interest expense	29,395	14,191	13,177	8,109	33,449	-	98,321	3,041	-	3,041	101,362
	<u>\$ 1,058,966</u>	<u>\$ 627,947</u>	<u>\$ 987,946</u>	<u>\$ 361,529</u>	<u>\$ 465,343</u>	<u>\$ 371,808</u>	<u>\$ 3,873,539</u>	<u>\$ 392,068</u>	<u>\$ 304,715</u>	<u>\$ 696,783</u>	<u>\$ 4,570,322</u>

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

ROOM IN THE INN, INC.
STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2021

	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	\$ 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 these statements.

ROOM IN THE INN, INC.
STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	\$ 1,380,735	\$ 1,026,673
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	530,175	410,612
Bad debt expense	8,209	-
Gain on disposal of building and equipment	-	(322,000)
Net realized and unrealized loss (gain) on investments	41,001	(237,653)
Paycheck Protection Program forgiveness	-	(425,000)
Change in operating assets and liabilities:		
Contract and grants receivable	(41,246)	20,191
Employee Retention Credit receivable	(840,406)	-
Prepaid expenses	(1,166)	(29,214)
Accounts payable and accrued expenses	32,639	123,821
Net cash flows from operating activities	<u>1,109,941</u>	<u>567,430</u>
Cash flows from investing activities:		
Purchase of investments	(273,990)	(182,725)
Proceeds from sale of investments	284,983	599,589
Purchase of land, building, and equipment	(2,139,386)	(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>(2,128,393)</u>	<u>(2,433,542)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	1,382,514	2,592,500
Payments on long-term debt	(408,722)	(335,979)
Net cash flows from financing activities	<u>973,792</u>	<u>2,256,521</u>
Net change in cash and cash equivalents	(44,660)	390,409
Cash and cash equivalents, beginning of year	3,462,889	3,072,480
Cash and cash equivalents, end of year	<u>\$ 3,418,229</u>	<u>\$ 3,462,889</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	<u>\$ 101,362</u>	<u>\$ 58,272</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, 2022 AND 2021

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 Veterans’ 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. Prior to the pandemic, RITI partnered with more than 180 Middle Tennessee congregations and provided shelter for an average of 250 men, women, and children each evening during the winter months. The pandemic cut the congregations and shelter beds almost in half, but the program continues to rebuild each year.

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. RITI held no net assets with donor restrictions at June 30, 2022 or 2021.

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, 2022 AND 2021

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.

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

Contributed 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 21,900 and 9,984 hours during the years ended June 30, 2022 and 2021, 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, 2022 AND 2021

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

Recently Adopted Accounting Pronouncements – In September 2020, FASB issued Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU requires not-for-profit entities to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash and other financial assets. In addition, for each category of contributed nonfinancial assets recognized, certain additional disclosures are required. This standard is effective for the year ending June 30, 2022. There have been no donor restrictions placed on such contributions.

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 through January 10, 2023, the date the financial statements were available to be issued and determined there are no subsequent events that require disclosure other than those discussed in Note 11.

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, reduced by amounts not available for general expenditure within one year:

	<u>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 3,418,229	\$ 3,462,889
Contracts and grants receivable	87,310	54,273
Employee Retention Credit receivable	840,406	-
Investments	<u>1,276,623</u>	<u>1,328,617</u>
Total financial assets	5,622,568	4,845,779
Less amounts not available to be used for general expenditures within one year:		
Net assets with donor restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures within one year	<u><u>\$ 5,622,568</u></u>	<u><u>\$ 4,845,779</u></u>

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

JUNE 30, 2022 AND 2021

Note 3—Revenue and receivables

RITI accounted for revenue under the provisions of ASC 606, *Revenue from Contracts with Customers*. 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 \$87,310 and \$54,273 at June 30, 2022 and 2021, respectively. Contributions receivable of \$8,209 were written off for the year ended June 30, 2022. There were no write-offs of contributions receivable for the year ended June 30, 2021.

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, 2022 AND 2021

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, 2022:

	Level 1	Level 2	Level 3	Total
Cash sweep	\$ 43,914	\$ -	\$ -	\$ 43,914
Equities - common stocks:				
Technology	97,495	-	-	97,495
Industrial goods	112,861	-	-	112,861
Consumer goods	95,736	-	-	95,736
Financial	124,023	-	-	124,023
Healthcare	90,995	-	-	90,995
Utilities	47,955	-	-	47,955
Basic materials	50,559	-	-	50,559
Real estate	50,202	-	-	50,202
Communication services	14,210	-	-	14,210
Total equities - common stocks	684,036	-	-	684,036
Fixed income corporate bonds:				
Financial	270,182	-	-	270,182
Consumer goods	100,381	-	-	100,381
Healthcare	50,157	-	-	50,157
Industrial goods	48,357	-	-	48,357
Communication services	50,246	-	-	50,246
Consumer discretionary	29,350	-	-	29,350
Total fixed income - corporate bonds	548,673	-	-	548,673
Total investments	\$ 1,276,623	\$ -	\$ -	\$ 1,276,623

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

JUNE 30, 2022 AND 2021

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, 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

Note 5—Land, building, and equipment

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

	2022	2021
Land and buildings	\$ 15,435,451	\$ 13,404,651
Leasehold improvements	2,827,354	2,827,354
Furniture and laundry equipment	762,499	759,034
Office equipment	874,374	864,083
Vehicles	53,885	53,885
Construction in Progress	94,830	-
	20,048,393	17,909,007
Less accumulated depreciation	(5,516,502)	(4,986,327)
Land, building, and equipment, net	\$ 14,531,891	\$ 12,922,680

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.

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

JUNE 30, 2022 AND 2021

Note 6—Paycheck Protection Program loan

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.

Note 7—Notes payable

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

	<u>2022</u>	<u>2021</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.	\$ 340,088	\$ 420,037
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.	352,356	432,135
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 December 2025 and is secured by a deed of trust.	233,337	300,003
Note payable to a financial institution payable in monthly principal installments of \$26,476. Interest is fixed at 2.99%. The note matures October 2026 and is secured by a deed of trust. The note requires RITI maintain minimum liquidity and net assets balances at all times.	3,689,193	2,489,007
	<u>\$ 4,614,974</u>	<u>\$ 3,641,182</u>

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

Years Ending June 30,

2023	\$ 436,698
2024	443,073
2025	449,641
2026	423,079
2027	2,862,483
	<u>\$ 4,614,974</u>

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

JUNE 30, 2022 AND 2021

Note 8—Donated materials and services

RITI received contributed nonfinancial assets as follows during the years ended June 30:

	2022	2021
Food	\$ 340,500	\$ 340,500
Supplies	126,453	189,437
Rental facilities	140,000	140,000
Laundry services	84,000	84,000
Total in-kind contributions	<u>\$ 690,953</u>	<u>\$ 753,937</u>

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

Contributed supplies represent items contributed by various donors for use in RITI's various programs.

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 contributed rent of \$89,475 for 2022 and 2021. 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 contributed rent of \$36,000 for 2022 and 2021. 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 contributed rent of \$14,525 for 2022 and 2021. Rental rates have been estimated based upon square footage and comparable rental rates for similar properties.

Contributed laundry services are provided for RITI's apartments free of charge.

In valuing food, supplies, and laundry services, RITI estimated the fair value or the basis of estimates of the retail value that would be required if purchased.

Note 9—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 \$2,528,703 and \$2,609,424 at June 30, 2022 and 2021, 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, 2022 AND 2021

Note 10—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 11—Employee Retention Credit

The CARES Act contains the Employee Retention Credit (“ERC”), a refundable payroll tax credit available to employers that have experienced hardship in their operations due to the COVID-19 outbreak. The Organization qualified for \$840,406 of ERC for various quarters during the years ended June 30, 2022 and 2021. The Organization selected ASC 958-605 as the applicable standard for accounting for ERC and, as such, recognized the ERC when the qualifying wages were incurred and any barriers to realization were overcome, which was deemed to be during the year ended June 30, 2022 with the filing of the amended payroll tax returns. \$840,406 has been recorded as Employee Retention Credit receivable and Employee Retention Credit in the June 30, 2022 statement of financial position and statement of activities for the year ended June 30, 2022, respectively.

Subsequent to June 30, 2022, the Organization received the ERC for the third and fourth quarters of 2020 in the amount of \$41,093. The ERC for all other quarters in 2020 and 2021 remains outstanding as of January 10, 2023.