

RESTORATION MINISTRIES, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2017 & 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Restoration Ministries, Inc.

We have audited the accompanying financial statements of Restoration Ministries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017 and 2016, and the related statements of activities 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 audits to obtain reasonable assurance about whether the financial statements are free of 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 and fair presentation 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 that 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 Restoration Ministries, Inc. as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "R. Lloyd & Company, Ltd.", written in a cursive style.

R. LLOYD & COMPANY, LTD.
CERTIFIED PUBLIC ACCOUNTANTS

Orland Park, Illinois

October 7, 2018

RESTORATION MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 & 2016

ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 456,764	\$ 401,078
Investments	10,000	4,000
Miscellaneous Receivables	29,618	-
Inventories	20,817	25,416
Prepaid Expenses	7,223	14,838
Deposits	125	125
Total Current Assets	524,547	445,457
<u>Property & Equipment</u>		
Building and Improvements	7,299,150	7,299,150
Land	207,605	206,205
Construction in Progress	16,625	16,625
Vehicles	160,159	152,298
Furniture and Equipment	148,797	148,797
	7,832,336	7,823,075
Less: Accumulated Depreciation	(2,672,866)	(2,429,225)
	5,159,470	5,393,850
Total Assets	\$ 5,684,017	\$ 5,839,307

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2017 & 2016

LIABILITIES AND NET ASSETS

	<u>2017</u>	<u>2016</u>
<u>Current Liabilities</u>		
Accrued Expenses	\$ 40,538	\$ 62,963
Student Escrows	5,491	2,342
Total Current Liabilities	<u>46,029</u>	<u>65,305</u>
<u>Net Assets</u>		
Unrestricted - Undesignated	5,558,350	5,711,692
Unrestricted - Designated Building Funds	76,798	-
Temporarily Restricted	2,840	62,310
Permanently Restricted	-	-
Total Net Assets	<u>5,637,988</u>	<u>5,774,002</u>
Total Liabilities and Net Assets	<u>\$ 5,684,017</u>	<u>\$ 5,839,307</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Special Events	\$ 233,293	\$ -	\$ -	\$ 233,293
Less: Cost of Direct Benefits to Donors	<u>(72,806)</u>	<u>-</u>	<u>-</u>	<u>(72,806)</u>
Net Revenue from Special Events	160,487	-	-	160,487
Resale Store Sales	1,552,518	-	-	1,552,518
In Kind Donations	1,337,020	-	-	1,337,020
Contributions	923,141	1,590	-	924,731
Rental Income	31,512	-	-	31,512
Other Income	7,836	-	-	7,836
Investment Income	29	-	-	29
Unrealized Gain on Investments	6,000	-	-	6,000
Net Assets Released from Restriction	<u>61,060</u>	<u>(61,060)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>4,079,603</u>	<u>(59,470)</u>	<u>-</u>	<u>4,020,133</u>
EXPENSES				
Program Services				
Youth Programs	396,016	-	-	396,016
Harvey House/Tabitha House	443,931	-	-	443,931
Thrift Shop Operations	2,532,768	-	-	2,532,768
Food Pantry and Other Programs	<u>61,556</u>	<u>-</u>	<u>-</u>	<u>61,556</u>
Total Program Services	3,434,271	-	-	3,434,271
Supporting Services				
Management and General	697,432	-	-	697,432
Fundraising	24,444	-	-	24,444
Loss on Sale of Assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENSES	<u>4,156,147</u>	<u>-</u>	<u>-</u>	<u>4,156,147</u>
CHANGE IN NET ASSETS	(76,544)	(59,470)	-	(136,014)
NET ASSETS,				
BEGINNING OF YEAR	<u>5,711,692</u>	<u>62,310</u>	<u>-</u>	<u>5,774,002</u>
END OF YEAR	<u>\$ 5,635,148</u>	<u>\$ 2,840</u>	<u>\$ -</u>	<u>\$ 5,637,988</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Unrestricted</u>	Temporarily <u>Restricted</u>	Permanently <u>Restricted</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES				
Special Events	\$ 219,902	\$ -	\$ -	\$ 219,902
Less: Cost of Direct Benefits to Donors	<u>(72,520)</u>	<u>-</u>	<u>-</u>	<u>(72,520)</u>
Net Revenue from Special Events	147,382	-	-	147,382
Resale Store Sales	1,479,600	-	-	1,479,600
In Kind Donations	1,260,777	-	-	1,260,777
Contributions	960,765	42,600	-	1,003,365
Rental Income	30,580	-	-	30,580
Other Income	6,937	-	-	6,937
Investment Income	79	-	-	79
Unrealized Gain on Investments	1,010	-	-	1,010
Net Assets Released from Restriction	<u>154,896</u>	<u>(154,896)</u>	<u>-</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>4,042,026</u>	<u>(112,296)</u>	<u>-</u>	<u>3,929,730</u>
EXPENSES				
Program Services				
Youth Programs	573,058	-	-	573,058
Harvey House/Tabitha House	651,892	-	-	651,892
Thrift Shop Operations	2,582,859	-	-	2,582,859
Food Pantry and Other Programs	<u>73,032</u>	<u>-</u>	<u>-</u>	<u>73,032</u>
Total Program Services	3,880,841	-	-	3,880,841
Supporting Services				
Management and General	118,251	-	-	118,251
Fundraising	139,379	-	-	139,379
Loss on Sale of Assets	<u>95</u>	<u>-</u>	<u>-</u>	<u>95</u>
TOTAL EXPENSES	<u>4,138,566</u>	<u>-</u>	<u>-</u>	<u>4,138,566</u>
CHANGE IN NET ASSETS	(96,540)	(112,296)	-	(208,836)
NET ASSETS,				
BEGINNING OF YEAR	<u>5,808,232</u>	<u>174,606</u>	<u>-</u>	<u>5,982,838</u>
END OF YEAR	<u>\$ 5,711,692</u>	<u>\$ 62,310</u>	<u>\$ -</u>	<u>\$ 5,774,002</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (136,014)	\$ (208,836)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation & Amortization	243,641	244,433
(Gain) Loss on Assets	(6,000)	(915)
Noncash Donations of Assets	(9,261)	-
Net (Increase) Decrease in:		
Other Current Assets	(17,404)	17,463
Net Increase (Decrease) in:		
Accrued Expenses	(22,425)	(7,087)
Student Escrow	3,149	(8,192)
Net Cash Provided by Operating Activities	<u>55,686</u>	<u>36,866</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of Property & Equipment	-	(84,012)
Proceeds from the Sale of Assets	-	6,373
Net Cash Used by Investing Activities	<u>-</u>	<u>(77,639)</u>
Net Increase (Decrease) in Cash & Cash Equivalents	55,686	(40,773)
Cash and Cash Equivalents-Beginning of Year	<u>401,078</u>	<u>441,851</u>
Cash and Cash Equivalents-End of Year	<u>\$ 456,764</u>	<u>\$ 401,078</u>
Cash Paid for Interest	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 1-Summary of Significant Accounting Policies

Nature of Activities - Restoration Ministries, Inc. (the Organization) was organized on February 2, 1988. The Organization is involved in many charitable activities throughout the community. The primary activities are Harvey House and Tabitha House, residential programs which provide spiritual, vocational and leadership training to former convicts and drug addicts in Harvey, IL.

Basis of Accounting -The financial statements of the organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivable, payables, and other liabilities.

Basis of Presentation -The Organization has adopted FASB *Accounting Standards Codification* (ASC) 958, *Not For Profit Entities*. Under ASC 958, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted depending on the existence or nature of donor restrictions. Under ASC 958, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. As permitted by the statement, the Organization does not use fund accounting.

Statement of Cash Flows-The Organization considers all short-term investments with an original maturity of three months or less to be cash equivalents.

Property & Equipment -Acquisitions of property and equipment in excess of \$3,000 are capitalized. Property and equipment are recorded at cost or, if donated, at the approximate fair market value at the date of donation. Depreciation is computed using the straight-line method. Depreciation expense for 2017 and 2016 is \$ 243,641 and \$244,433.

Donated Services -The Organization receives a significant amount of services from unpaid volunteers. No amounts have been recognized in the statement of activities because the criteria for recognition under ASC 958 has not been satisfied.

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.

Functional Allocation of Expenses -The costs of providing various programs and activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

RESTORATION MINISTRIES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 2-Income Taxes

The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and application state law.

The accounting standard on accounting for uncertainty in income taxes addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under that guidance, the Organization may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income (UBIT). The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement. There were no unrecognized tax benefits identified or recorded as liabilities for fiscal year 2017 and 2016.

The Organization files forms 990 in the U.S. federal jurisdiction and the State of Illinois. The Organization is generally no longer subject to examination by the Internal Revenue Service for years before December 31, 2014.

NOTE 3-Fair Value Measurements

The Organization has adopted the provisions of ASC 820, Fair Value Measurements. ASC 820 establishes a fair value hierarchy that prioritized 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 under ASC 820 are described as follows:

Level 1 - Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2 - Observable inputs other than quoted prices in active markets.

Level 3 - Unobservable inputs for which there is little or no market data available.

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.

<u>December 31, 2017</u>	<u>Fair Value</u>	<u>Level 1</u>
Common Stock	<u>\$ 10,000</u>	<u>\$ 10,000</u>
<u>December 31, 2016</u>		
Common Stock	<u>\$ 4,000</u>	<u>\$ 4,000</u>

RESTORATION MINISTRIES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 4-Concentrations of Credit Risks

The Organization maintains its cash balances in numerous financial institutions. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization has deposits in excess of \$250,000 at two institutions. As of December 31, 2017 and 2016 the Organization had balances of approximately \$83,000 and \$29,000, respectively, in excess of FDIC insurance limits.

NOTE 5-Inventory

Inventory consists of merchandise held for resale. Inventories are stated at cost, determined on the first-in, first-out basis.

NOTE 6-Donated Goods

Contributions of clothing, household goods and other items to the Organization's thrift stores are recognized as in-kind donations when the items are sold as it provides the best estimate of fair market value of these items. The expense for these donated items is included in the program expenses of Thrift Shop Operations in the Statement of Activities. Inventories of such items are not included as Organization assets in the Statement of Financial Position.

NOTE 7-Restrictions on Net Assets

Temporarily restricted net assets are available for the following purposes:

	<u>12/31/2017</u>	<u>12/31/2016</u>
Alumni Association	\$ 2,840	\$ 1,250
Building Fund	-	61,060
	<u>\$ 2,840</u>	<u>\$ 62,310</u>

NOTE 8-Designations of Net Assets

The Board of Directors has designated funds to be used for expenses associated with the Organization's buildings.

RESTORATION MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

NOTE 9-Retirement Plan

Employees of the Organization may participate in an Internal Revenue Code section 403(b) retirement savings plan. The plan is funded solely by employee contributions to the plan, pursuant to a salary reduction agreement.

NOTE 10-Leases

The Organization leases a copier for their office which started in February 2016. The lease payments are \$197 per month for sixty months. Minimum future lease payments for this lease are:

2018	\$	2,364
2019		2,364
2020		2,364
2021		<u>197</u>
	\$	<u><u>7,289</u></u>

NOTE 11-Evaluation of Subsequent Events

The Organization has evaluated subsequent events through October 7, 2018, the date which the financial statements were available to be issued.