

RESTORATION MINISTRIES, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2018 & 2017

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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, 2018 and 2017, 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 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, 2018 and 2017, 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 14, 2019

RESTORATION MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 & 2017

ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Assets</u>		
Cash and Cash Equivalents	\$ 538,201	\$ 456,764
Investments	2,000	10,000
Contributions Receivable	9,789	29,618
Inventories	14,422	20,817
Prepaid Expenses	17,311	7,223
Deposits	125	125
Total Current Assets	<u>581,848</u>	<u>524,547</u>
<u>Property & Equipment</u>		
Building and Improvements	7,322,965	7,299,150
Land	205,105	207,605
Construction in Progress	-	16,625
Vehicles	251,091	160,159
Furniture and Equipment	156,307	148,797
	<u>7,935,468</u>	<u>7,832,336</u>
Less: Accumulated Depreciation	<u>(2,922,932)</u>	<u>(2,672,866)</u>
	<u>5,012,536</u>	<u>5,159,470</u>
Total Assets	<u>\$ 5,594,384</u>	<u>\$ 5,684,017</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018 & 2017

LIABILITIES AND NET ASSETS

	<u>2018</u>	<u>2017</u>
<u>Current Liabilities</u>		
Accrued Expenses	\$ 58,189	\$ 40,538
Student Escrows	11,642	5,491
Total Current Liabilities	<u>69,831</u>	<u>46,029</u>
<u>Net Assets</u>		
Without Donor Restrictions		
Undesignated	5,369,391	5,558,350
Designated Building Funds	155,162	76,798
	<u>5,524,553</u>	<u>5,635,148</u>
With Donor Restrictions		
Purpose Restriction	-	2,840
	<u>-</u>	<u>2,840</u>
Total Net Assets	<u>5,524,553</u>	<u>5,637,988</u>
Total Liabilities and Net Assets	<u>\$ 5,594,384</u>	<u>\$ 5,684,017</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
PUBLIC SUPPORT AND REVENUES			
Special Events	\$ 471,555	\$ -	\$ 471,555
Less: Cost of Direct Benefits to Donors	<u>(121,354)</u>	<u>-</u>	<u>(121,354)</u>
Net Revenue from Special Events	350,201	-	350,201
Resale Store Sales	1,521,026	-	1,521,026
In Kind Donations	1,345,086	-	1,345,086
Contributions	715,559	300	715,859
Rental Income	31,795	-	31,795
Other Income	-	-	-
Investment Income (Loss)	(7,940)	-	(7,940)
Gain on Sale of Assets	23,299	-	23,299
Net Assets Released from Restriction	<u>3,140</u>	<u>(3,140)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>3,982,166</u>	<u>(2,840)</u>	<u>3,979,326</u>
EXPENSES			
Program Services			
Youth Programs	646,147	-	646,147
Residence Program	259,234	-	259,234
Thrift Shop Operations	2,501,113	-	2,501,113
Other Programs	<u>38,845</u>	<u>-</u>	<u>38,845</u>
Total Program Services	3,445,339	-	3,445,339
Supporting Services			
Management and General	608,477	-	608,477
Fundraising	<u>38,945</u>	<u>-</u>	<u>38,945</u>
TOTAL EXPENSES	<u>4,092,761</u>	<u>-</u>	<u>4,092,761</u>
CHANGE IN NET ASSETS	(110,595)	(2,840)	(113,435)
NET ASSETS,			
BEGINNING OF YEAR	<u>5,635,148</u>	<u>2,840</u>	<u>5,637,988</u>
END OF YEAR	<u>\$ 5,524,553</u>	<u>\$ -</u>	<u>\$ 5,524,553</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>Without Donor Restrictions</u>	<u>With Donor Restrictions</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>(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 (Loss)	6,029	-	6,029
Net Assets Released from Restriction	<u>61,060</u>	<u>(61,060)</u>	<u>-</u>
TOTAL PUBLIC SUPPORT AND REVENUES	<u>4,079,603</u>	<u>(59,470)</u>	<u>4,020,133</u>
EXPENSES			
Program Services			
Youth Programs	396,016	-	396,016
Residence Program	443,931	-	443,931
Thrift Shop Operations	2,532,768	-	2,532,768
Other Programs	<u>61,556</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	<u>24,444</u>	<u>-</u>	<u>24,444</u>
TOTAL EXPENSES	<u>4,156,147</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>5,774,002</u>
END OF YEAR	<u>\$ 5,635,148</u>	<u>\$ 2,840</u>	<u>\$ 5,637,988</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Program Services					Management and General	Fundraising	Cost of Direct Benefits to Donors	
	Youth Programs	Residence Program	Thrift Shop Operations	Other Programs	Total			Total	Total
Advertising	\$ -	\$ 274	\$ 31,470	\$ -	\$ 31,744	\$ 2,065	\$ -	\$ -	\$ 33,809
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	121,354	121,354
Cost of Donated Items	-	-	1,345,086	-	1,345,086	-	-	-	1,345,086
Cost of Purchased Items	-	-	92,949	-	92,949	-	-	-	92,949
Depreciation	133,310	23,435	46,490	3,330	206,565	45,375	-	-	251,940
Donations	-	5,156	1,153	3,416	9,725	3,466	-	-	13,191
Employee Benefits	7,712	4,887	12,194	323	25,116	94,628	-	-	119,744
Freight & Packaging	-	-	23,177	-	23,177	310	-	-	23,487
General Administrative	1,554	136	2,883	-	4,573	5,661	-	-	10,234
Insurance	2,511	2,705	16,175	-	21,391	11,453	-	-	32,844
Legal & Accounting	-	-	-	-	-	24,221	-	-	24,221
Occupancy	10,407	10,830	57,924	-	79,161	87,677	-	-	166,838
Office Supplies	60	-	17,174	13	17,247	25,707	-	-	42,954
Other Fundraising	-	-	-	-	-	-	2,287	-	2,287
Payroll Taxes	27,205	7,248	47,105	1,853	83,411	19,112	-	-	102,523
Printing	-	-	-	-	-	-	8,138	-	8,138
Program Expenses	102,988	60,698	245	4,717	168,648	566	-	-	169,214
Public Relations	-	-	-	-	-	-	28,520	-	28,520
Repairs	5,038	9,024	16,607	-	30,669	33,560	-	-	64,229
Resident Training Stipends	-	700	2,275	-	2,975	-	-	-	2,975
Salaries	348,337	92,804	604,348	23,724	1,069,213	244,705	-	-	1,313,918
Sales Tax	-	-	114,642	-	114,642	-	-	-	114,642
Telephone & Internet	3,320	6,687	10,618	-	20,625	7,931	-	-	28,556
Vehicle Expenses	3,705	34,650	58,598	1,469	98,422	2,040	-	-	100,462
Total Expenses by Function	646,147	259,234	2,501,113	38,845	3,445,339	608,477	38,945	121,354	4,214,115
Less Expenses Included with Revenues on the Statement of Activities Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(121,354)	(121,354)
Total Expenses Included in the Expenses Section on the Statement of Activities	\$ 646,147	\$ 259,234	\$ 2,501,113	\$ 38,845	\$ 3,445,339	\$ 608,477	\$ 38,945	\$ -	\$ 4,092,761

The accompanying notes are an integral part of these statements.

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

	Program Services				Total	Management and General	Fundraising	Cost of Direct Benefits to Donors	
	Youth Programs	Residence Program	Thrift Shop Operations	Other Programs				Total	Total
Advertising	\$ -	\$ -	\$ 40,817	\$ -	\$ 40,817	\$ 586	\$ 159	\$ -	\$ 41,562
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	72,806	72,806
Cost of Donated Items	-	-	1,337,020	-	1,337,020	-	-	-	1,337,020
Cost of Purchased Items	-	-	107,908	-	107,908	-	-	-	107,908
Depreciation	17,031	139,714	44,740	-	201,485	42,156	-	-	243,641
Donations	1,359	1,120	5,622	12,615	20,716	6,638	-	-	27,354
Employee Benefits	8,025	5,139	11,893	321	25,378	100,702	-	-	126,080
Freight & Packaging	-	-	26,560	-	26,560	78	-	-	26,638
General Administrative	204	-	1,975	75	2,254	16,929	-	-	19,183
Insurance	3,692	3,978	23,781	-	31,451	16,679	-	-	48,130
Legal & Accounting	-	-	-	-	-	22,543	-	-	22,543
Occupancy	10,877	21,886	60,416	406	93,585	66,908	-	-	160,493
Office Supplies	-	47	25,154	-	25,201	29,266	-	-	54,467
Other Fundraising	-	-	-	-	-	-	5,589	-	5,589
Payroll Taxes	22,593	12,758	49,650	3,425	88,426	21,787	-	-	110,213
Printing	-	-	-	-	-	-	7,912	-	7,912
Program Expenses	57,375	46,899	113	2,508	106,895	744	-	-	107,639
Public Relations	-	-	-	-	-	-	10,784	-	10,784
Repairs	4,212	8,443	33,014	1,251	46,920	81,705	-	-	128,625
Resident Training Stipends	-	200	1,500	-	1,700	-	-	-	1,700
Salaries	262,098	148,000	575,992	39,728	1,025,818	251,488	-	-	1,277,306
Sales Tax	-	-	116,591	-	116,591	-	-	-	116,591
Telephone & Internet	4,913	7,368	10,637	-	22,918	21,520	-	-	44,438
Vehicle Expenses	3,637	48,379	59,385	1,227	112,628	17,703	-	-	130,331
Total Expenses by Function	396,016	443,931	2,532,768	61,556	3,434,271	697,432	24,444	72,806	4,228,953
Less Expenses Included with Revenues on the Statement of Activities									
Cost of Direct Benefits to Donors	-	-	-	-	-	-	-	(72,806)	(72,806)
Total Expenses Included in the Expenses Section on the Statement of Activities	<u>\$ 396,016</u>	<u>\$ 443,931</u>	<u>\$ 2,532,768</u>	<u>\$ 61,556</u>	<u>\$ 3,434,271</u>	<u>\$ 697,432</u>	<u>\$ 24,444</u>	<u>\$ -</u>	<u>\$ 4,156,147</u>

The accompanying notes are an integral part of these statements.

RESTORATION MINISTRIES, INC.
STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash Flows from Operating Activities</u>		
Change in Net Assets	\$ (113,435)	\$ (136,014)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation & Amortization	251,940	243,641
Realized (Gain) Loss on Assets	(23,299)	-
Unrealized (Gain) Loss on Assets	8,000	(6,000)
Noncash Donations of Assets	(90,932)	(9,261)
Net (Increase) Decrease in:		
Other Current Assets	16,136	(17,404)
Net Increase (Decrease) in:		
Accrued Expenses	17,651	(22,425)
Student Escrow	6,151	3,149
Net Cash Provided by Operating Activities	<u>72,212</u>	<u>55,686</u>
<u>Cash Flows from Investing Activities</u>		
Purchases of Property & Equipment	(24,595)	-
Proceeds from the Sale of Assets	33,820	-
Net Cash Used by Investing Activities	<u>9,225</u>	<u>-</u>
Net Increase (Decrease) in Cash & Cash Equivalents	81,437	55,686
Cash and Cash Equivalents-Beginning of Year	456,764	401,078
Cash and Cash Equivalents-End of Year	<u>\$ 538,201</u>	<u>\$ 456,764</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, 2018 AND 2017

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 financial statements report the changes in and totals of each net asset class based on the existence of donor restrictions. Net assets are classified as without donor restriction or with donor restriction as described below.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may not be expended for any purpose in performing the primary objectives of the Organization.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Donor restrictions are temporary in nature and will be met by actions of the Organization or by the passage of time.

Cash and Cash Equivalents -The Organization considers all cash and highly liquid financial instruments with an original maturity of three months or less, which are neither held for nor restricted by donors for long-term purposes to be cash and cash equivalents.

Contributions Receivable -The Organization records unconditional promises to give which are dated in the current fiscal year but received in the first month of the subsequent fiscal year at net realizable value. The Organization records no allowance for uncollectible promises due to the short term nature of the receivables.

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

Investments -The Organization records investment purchases at cost, or if donated, at fair market value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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 2018 and 2017 is \$ 251,940 and \$243,641.

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.

RESTORATION MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1-Summary of Significant Accounting Policies (continued)

Revenue Recognition - The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received.

Recognition of revenue from the sale of thrift shop merchandise is when the products are transferred.

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.

Advertising Costs- Advertising costs are expensed as incurred, and approximated \$34,000 and \$42,000 during the years ended December 31, 2018 and 2017, respectively.

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.

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 2018 and 2017.

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, 2015.

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.

RESTORATION MINISTRIES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 1-Summary of Significant Accounting Policies (continued)

Change in Accounting Principle- On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

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 one institution. As of December 31, 2018 and 2017 the Organization had balances of approximately \$52,000 and \$83,000, respectively, in excess of FDIC insurance limits.

Subsequent Events-The Organization has evaluated subsequent events through October 14, 2019, the date which the financial statements were available to be issued.

NOTE 2-Liquidity and Availability

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

Cash and Cash Equivalents	\$	538,201
Miscellaneous Receivables		9,789
		\$ 547,990

As part of the Organization's liquidity management plan, management invests cash in excess of daily requirements in interest bearing checking accounts.

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.

RESTORATION MINISTRIES, INC.
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

NOTE 3-Fair Value Measurements

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, 2018</u>	<u>Fair Value</u>	<u>Level 1</u>
Common Stock	<u>\$ 2,000</u>	<u>\$ 2,000</u>
<u>December 31, 2017</u>		
Common Stock	<u>\$ 10,000</u>	<u>\$ 10,000</u>

NOTE 4-Restrictions on Net Assets

Net assets with donor restrictions are available for the following purposes:

	<u>12/31/2018</u>	<u>12/31/2017</u>
Alumni Association	<u>\$ -</u>	<u>\$ 2,840</u>
	<u>\$ -</u>	<u>\$ 2,840</u>

NOTE 5-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 6-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:

2019	\$ 2,364
2020	2,364
2021	<u>197</u>
	<u>\$ 4,925</u>