

RESTORATION MINISTRIES, INC.

Financial Statements

December 31, 2020

(With Independent Auditors' Report Thereon)

RESTORATION MINISTRIES, INC.

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Independent Auditors' Report

Board of Directors
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, 2020, and the related statements of activities, functional expenses and cash flows for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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, 2020, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on 2019 Financial Statements

The financial statements of Restoration Ministries, Inc. as of December 31, 2019 were audited by other accountants, and they expressed an unmodified opinion on those financial statements in their report dated November 6, 2020, but they have not performed any auditing procedures since that date.

Paul J. Smit & Associates

December 21, 2021

RESTORATION MINISTRIES, INC.

Statements of Financial Position

December 31, 2020 and 2019

Assets	2020	2019
Cash and cash equivalents	\$ 558,220	\$ 550,501
Contributions receivable	109,130	75,960
Prepaid expenses and other	13,675	15,716
Inventories	9,192	11,811
Property and equipment, net	<u>4,833,929</u>	<u>4,837,657</u>
Total assets	<u>\$ 5,524,146</u>	<u>\$ 5,491,645</u>
Liabilities and Net Assets		
Accounts payable and accrued expenses	\$ 43,620	\$ 22,151
Accrued payroll expenses	74,524	47,169
Student escrows	2,400	1,458
Paycheck Protection Program loan	5,371	—
Capital lease obligations	<u>145,157</u>	<u>—</u>
Total liabilities	<u>271,072</u>	<u>70,778</u>
Net Assets:		
Without donor restrictions		
Undesignated	332,509	460,402
Investment in property and equipment	4,833,929	4,837,657
Designated building funds	<u>86,636</u>	<u>87,808</u>
Total without donor restrictions	5,253,074	5,385,867
With donor restrictions	<u>—</u>	<u>35,000</u>
Total net assets	<u>5,253,074</u>	<u>5,420,867</u>
Total liabilities and net assets	<u>\$ 5,524,146</u>	<u>\$ 5,491,645</u>

See accompanying notes to financial statements.

RESTORATION MINISTRIES, INC.

Statements of Activities

Years ended December 31, 2020 and 2019

	2020	2019
Changes in net assets without donor restrictions:		
Revenue:		
Contributions	\$ 1,343,975	\$ 1,318,653
Special events, net of cost of direct benefits to donors of \$46,480 and \$86,041 in 2020 and 2019, respectively	128,694	162,852
In-kind contributions	1,074,920	1,410,732
Resale Store sales	1,224,575	1,595,348
Government grant - Paycheck Protection Program	254,162	—
Rental income	29,900	38,210
Loss on sale of assets	—	(74,050)
Other income	54,309	2,051
Net assets released from restrictions	35,000	—
Total revenue	4,145,535	4,453,796
Expenses:		
Program services:		
Youth programs	567,798	729,442
Residence program	564,935	401,897
Thrift Shop operations	2,516,877	2,779,171
Other programs	81,017	52,236
Total program services	3,730,627	3,962,746
Supporting services:		
Management and general	440,272	610,630
Fundraising	107,429	19,106
Total expenses	4,278,328	4,592,482
Decrease in net assets without donor restrictions	(132,793)	(138,686)
Changes in net assets with donor restrictions:		
Contributions	—	35,000
Net assets released from restrictions	(35,000)	—
Increase (decrease) in net assets with donor restrictions	(35,000)	35,000
Decrease in net assets	(167,793)	(103,686)
Net assets at beginning of year	5,420,867	5,524,553
Net assets at end of year	\$ 5,253,074	\$ 5,420,867

See accompanying notes to financial statements.

RESTORATION MINISTRIES, INC.

Statement of Functional Expenses

Year ended December 31, 2020

	Program services				Supporting services		Cost of Direct Benefits to Donors		Total
	Youth Programs	Residence Program	Thrift Shop Operations	Other Programs	Total	Management and General	Fundraising		
Salaries and wages, benefits and taxes									
Salaries and wages	\$ 309,699	\$ 339,024	\$ 818,853	\$ 54,267	\$ 1,521,843	\$ 103,553	\$ 80,550	\$ —	\$ 1,705,946
Benefits	28,355	30,835	74,922	4,941	139,053	7,804	7,305	—	154,162
Payroll taxes	22,504	24,551	58,942	3,928	109,925	6,024	5,803	—	121,752
Total salaries and wages, benefits and payroll taxes	360,558	394,410	952,717	63,136	1,770,821	117,381	93,658	—	1,981,860
Cost of donated items	—	—	1,074,920	—	1,074,920	—	—	—	1,074,920
Cost of purchased items	—	—	90,655	—	90,655	—	—	—	90,655
Cost of direct benefits to donors	—	—	—	—	—	—	—	46,480	46,480
Advertising	—	—	11,844	—	11,844	—	—	—	11,844
Legal and professional	—	15,961	300	—	16,261	27,241	—	—	43,502
Telephone and internet	2,774	11,335	12,003	—	26,112	14,016	—	—	40,128
Supplies	13,306	46,800	29,902	2,357	92,365	16,503	—	—	108,868
Vehicle	2,816	36,705	53,411	2,397	95,329	4,810	—	—	100,139
Postage and shipping	—	—	25,669	—	25,669	4,925	715	—	31,309
Occupancy	7,496	5,301	59,004	50	71,851	74,048	—	—	145,899
Repair and maintenance	6,395	12,553	26,334	1,136	46,418	56,518	—	—	102,936
Printing and publications	—	—	—	—	—	—	7,584	—	7,584
Insurance	2,601	2,803	16,757	—	22,161	12,880	—	—	35,041
Licenses and fees	—	1,812	8,022	—	9,834	13,320	—	—	23,154
Grants and scholarships	31,000	—	—	53	31,053	10,146	—	—	41,199
Public relations	—	—	—	—	—	32,180	—	—	32,180
Sales tax	—	—	90,723	—	90,723	—	—	—	90,723
Interest	—	—	3,190	—	3,190	139	—	—	3,329
Other	4,616	14,925	5,398	1,579	26,518	11,199	5,472	—	43,189
Depreciation	136,236	22,330	56,028	10,309	224,903	44,966	—	—	269,869
Total expenses by function	567,798	564,935	2,516,877	81,017	3,730,627	440,272	107,429	46,480	4,324,808
Less expenses included with revenues on the statement of activities - cost of direct benefits to donors	—	—	—	—	—	—	—	(46,480)	(46,480)
Total expenses	\$ 567,798	\$ 564,935	\$ 2,516,877	\$ 81,017	\$ 3,730,627	\$ 440,272	\$ 107,429	\$ —	\$ 4,278,328

See accompanying notes to financial statements.

RESTORATION MINISTRIES, INC.

Statement of Functional Expenses

Year ended December 31, 2019

	Program services					Supporting services		Cost of Direct Benefits to Donors	Total
	Youth Programs	Residence Program	Thrift Shop Operations	Other Programs	Total	Management and General	Fundraising		
Salaries and wages, benefits and taxes									
Salaries and wages	\$ 397,304	\$ 198,801	\$ 720,748	\$ 20,664	\$ 1,337,517	\$ 284,679	\$ —	\$ —	\$ 1,622,196
Benefits	37,647	18,298	67,444	1,932	125,321	26,661	—	—	151,982
Payroll taxes	28,903	14,278	52,136	1,508	96,825	20,556	—	—	117,381
Total salaries and wages, benefits and payroll taxes	463,854	231,377	840,328	24,104	1,559,663	331,896	—	—	1,891,559
Cost of donated items	—	—	1,410,732	—	1,410,732	—	—	—	1,410,732
Cost of purchased items	—	244	94,573	—	94,817	246	—	—	95,063
Cost of direct benefits to donors	—	—	—	—	—	—	—	86,041	86,041
Advertising	—	—	32,550	—	32,550	—	20	—	32,570
Legal and professional	—	18,404	—	—	18,404	30,865	—	—	49,269
Telephone and internet	4,024	7,446	9,874	—	21,344	8,145	—	—	29,489
Supplies	35,852	38,487	26,837	7,160	108,336	22,679	—	—	131,015
Vehicle	8,456	36,375	56,657	2,490	103,978	4,102	—	—	108,080
Postage and shipping	—	—	24,498	—	24,498	4,231	—	—	28,729
Occupancy	9,020	5,152	57,475	200	71,847	72,813	—	—	144,660
Repair and maintenance	11,531	20,703	24,595	2,825	59,654	50,322	—	—	109,976
Printing and publications	—	—	—	—	—	—	2,352	—	2,352
Insurance	2,511	2,706	16,177	—	21,394	12,360	—	—	33,754
Licenses and fees	—	3,738	6,068	—	9,806	9,180	—	—	18,986
Grants and scholarships	24,487	1,087	450	2,990	29,014	4,976	—	—	33,990
Public relations	—	—	—	—	—	—	3,635	—	3,635
Sales tax	—	—	121,495	—	121,495	—	—	—	121,495
Interest	—	—	—	—	—	—	—	—	—
Other	36,487	11,844	6,143	2,291	56,765	5,408	13,099	—	75,272
Depreciation	133,220	24,334	50,719	10,176	218,449	53,407	—	—	271,856
Total expenses by function	729,442	401,897	2,779,171	52,236	3,962,746	610,630	19,106	86,041	4,678,523
Less expenses included with revenues on the statement of activities - cost of direct benefits to donors	—	—	—	—	—	—	—	(86,041)	(86,041)
Total expenses	\$ 729,442	\$ 401,897	\$ 2,779,171	\$ 52,236	\$ 3,962,746	\$ 610,630	\$ 19,106	\$ —	\$ 4,592,482

See accompanying notes to financial statements.

RESTORATION MINISTRIES, INC.

Statements of Cash Flows

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ (167,793)	\$ (103,686)
Adjustments to reconcile change in net assets to net cash provided by operating activities -		
Depreciation	269,869	271,856
Realized (gain) loss on assets	—	74,050
Unrealized (gain) loss on assets	—	1,590
Noncash donations of assets	(3,163)	(44,049)
Changes in operating assets and liabilities:		
Contributions receivable	(33,170)	—
Prepaid expenses and other	2,041	(61,430)
Inventories	2,619	—
Accounts payable	17,480	11,131
Accrued payroll expenses	27,355	—
Student escrow	942	(10,184)
	<u>116,180</u>	<u>139,278</u>
Net cash provided by operating activities		
Cash flows used in investing activities:		
Cash paid for property and equipment	<u>(106,881)</u>	<u>(126,978)</u>
Net cash used in investing activities	<u>(106,881)</u>	<u>(126,978)</u>
Cash flows provided by financing activities:		
Cash borrowed under Paycheck Protection Program	5,371	—
Payments on capital lease obligations	<u>(6,951)</u>	<u>—</u>
Net cash used in financing activities	<u>(1,580)</u>	<u>—</u>
Net increase in cash and cash equivalents	7,719	12,300
Cash and cash equivalents at beginning of year	<u>550,501</u>	<u>538,201</u>
Cash and cash equivalents at end of year	<u><u>\$ 558,220</u></u>	<u><u>\$ 550,501</u></u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u><u>\$ 3,329</u></u>	<u><u>\$ —</u></u>
Non-cash investing and financing activities:		
Equipment financed through capital lease arrangements	<u><u>\$ 152,108</u></u>	<u><u>—</u></u>

See accompanying notes to financial statements.

RESTORATION MINISTRIES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(1) Summary of Significant Accounting Policies

(a) Description of Organization

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

Significant accounting policies followed are described in the paragraphs that follow.

(b) Basis of Presentation

The financial statements of Restoration Ministries, Inc. (Restoration Ministries) have been prepared in accordance with the U.S. generally accepted accounting principles (GAAP), which requires that resources be classified for reporting purposes based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of balances into two classes of net assets – without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category follow:

- Without Donor Restrictions – net assets that are not subject to donor-imposed restrictions. Items that affect this category principally consist of contributions not subject to donor-imposed restrictions and all expenses incurred in connection with the activities of Restoration Ministries. In addition, changes in this category of net assets include investment income whose use is unrestricted and restricted contributions whose donor-imposed restrictions were met during the fiscal year.
- With Donor Restrictions – net assets subject to donor-imposed restrictions that will be met either by actions of Restoration Ministries or the passage of time. Items that affect this category are contributions for which donor-imposed restrictions have not been met in the year of receipt. Expirations of restrictions on net assets with donor restrictions are reported as net assets released from restrictions.

Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by Restoration Ministries. Items that affect this category include contributions wherein donors stipulate that the corpus of the gift be held in perpetuity and only the income be made available for program operations. Restoration Ministries currently does not have any net assets where the corpus of the donor gift is required by the donor to be held in perpetuity.

RESTORATION MINISTRIES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(c) Contributions and Grants

Contributions are recognized in the appropriate category of net assets in the period received. Contributions received without donor stipulations are reported as increases in net assets without donor restrictions. Contributions received with a donor stipulation that limits their use are reported as increases in net assets with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Contributions received at special events are recorded as contributions in the statements of activities net of the cost of direct benefits to donors.

Contributions of clothing, household goods, and other items to Restoration Ministries' thrift stores are recognized as in-kind donations when the items are sold as it provides the best estimate of the fair value of these items. The expense for these donated items is included in the program expenses of Thrift Shop Operations in the accompanying statement of activities. Contributions of assets other than cash and items donated to the thrift stores are recorded at their estimated fair value at the date of gift.

Revenue from government grants, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Payments received in advance of conditions being met are recorded as deferred revenue on the statements of financial position.

(d) Rental Income

Rental income is recorded when earned.

(e) Contributed Services

A substantial number of unpaid volunteers, including members of the Board of Directors, have made significant contributions of their time to Restoration Ministries' policy-making, program and support functions. The value of this contributed time does not meet the criteria for recognition of contributed services defined by professional accounting standards, and, accordingly, is not reflected in these financial statements.

(f) Functional Allocation of Expenses

Expenses are recorded when the obligation is incurred. The costs of providing various program and supporting activities have been summarized on a functional basis in the accompanying statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

RESTORATION MINISTRIES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(g) Fair Value

Fair value is defined as the price that Restoration Ministries would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants. Restoration Ministries uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the assets and liabilities based on market data obtained from sources independent of Restoration Ministries. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed below:

- Level 1 – quoted market prices in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability, including model-based valuation techniques.
- Level 3 – valuation techniques for the asset or liability that use significant inputs that are unobservable because they trade infrequently or not at all.

(i) Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments. Cash equivalents are considered Level I in the fair value hierarchy.

(ii) Inventories

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

(iii) Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Expenditures for property and equipment and items which substantially increase the useful lives of existing assets are capitalized at cost. Acquisitions of property and equipment in excess of \$3,000 are generally capitalized. Depreciation is computed on the straight-line method over the estimated useful lives of the assets, ranging from 5 to 40 years for buildings and building improvements, 5 years for vehicles, 5 to 10 years for furniture and equipment, and 3 years for website costs.

RESTORATION MINISTRIES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(iv) Notes Payable

The carrying value of long-term debt does not differ materially from its estimated fair value based on quoted market prices for the same or similar issues.

(v) All Other Assets and Liabilities

The carrying values of all other assets and liabilities do not differ materially from their estimated fair value.

(h) Income Taxes

Restoration Ministries is a not-for-profit organization. Restoration Ministries has received a determination letter from the Internal Revenue Service indicating that it is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, except for income taxes pertaining to unrelated business income. No provision has been made for income taxes in the accompanying financial statements for the years ended December 31, 2020 and 2019, respectively, related to certain unrelated business activities, as Restoration Ministries has had no significant unrelated business activity.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken and recognize a tax liability (or asset) if the organization has taken an uncertain tax position that more likely than not would not be sustained upon examination by taxing authorities. Management has analyzed the tax positions taken and has concluded that as of December 31, 2020 and 2019, there are no uncertain income tax positions that would require recognition of a liability (or asset) or disclosure in the financial statements. Restoration Ministries has filed income tax returns through the year ended December 31, 2019, and believes it is no longer subject to income tax examination for years prior to the year ended December 31, 2017.

(i) Use of Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires that management make estimates and assumptions related to the reporting of assets and liabilities at the date of the financial statements, and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the period. Actual results may differ from those estimates.

(j) Reclassifications

Certain 2019 amounts have been reclassified to conform to the 2020 financial statement presentation.

RESTORATION MINISTRIES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(k) COVID-19 Risks

In December 2019, a novel strain of coronavirus (COVID-19) surfaced resulting in business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020 and characterized as a pandemic in March 2020. The extent to which the coronavirus may impact Restoration Ministries' business activity or financial results will depend on future developments.

(l) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, Leases. ASU 2016-02 requires entities to recognize a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not changed significantly from previous generally accepted accounting principles. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. The effective date for this standard has been delayed for nonpublic business entities to annual reporting periods beginning after December 15, 2021. The requirements of this statement are effective for Restoration Ministries for the year ending December 31, 2022. Management is currently evaluating this new accounting standards and its potential impact on the financial statements of Restoration Ministries.

(m) Subsequent Events

Management has performed an analysis of the activities and transactions subsequent to December 31, 2020, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2020. Management has performed their analysis through December 21, 2021, the date the financial statements were available to be issued.

(2) Property and Equipment

Property and equipment at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Building and building improvements	\$ 7,265,531	\$ 7,240,560
Land	177,105	177,105
Vehicles	357,372	185,299
Furniture and equipment	248,096	216,547
Website costs	37,548	—
	<u>8,085,652</u>	<u>7,819,511</u>
Less accumulated depreciation	<u>(3,251,723)</u>	<u>(2,981,854)</u>
Property and equipment, net	<u>\$ 4,833,929</u>	<u>\$ 4,837,657</u>

RESTORATION MINISTRIES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(3) Capital Lease Obligation

During the year ended December 31, 2020, Restoration Ministries entered into capital leases to purchase two vehicles and a capital lease to purchase a copy machine. The vehicle leases bear interest rates of 7.23%, are payable in 48 monthly installments of \$1,536, mature in August 2024, and are secured by the vehicles. The copy machine lease bears an interest rate of 6.87%, is payable in 60 monthly installments of \$481, matures in November 2025, and is secured by the copier.

The vehicle leases contain a provision that ownership of the vehicles transfers to Restoration Ministries at the end of the lease. The copier lease agreement contains a bargain purchase option at the end of the lease term. The economic substance of these leases is that Restoration Ministries is financing the acquisition of the assets through the lease and accordingly, it has recorded the asset as well as the related lease obligation in its financial statements.

Each vehicle lease had a balance of \$60,404 as of December 31, 2020, and the copy machine lease had a balance of \$24,349 at December 31, 2020. Future minimum lease payments under the capital leases as of December 31, 2020 are as follows:

<u>Year ending December 31</u>	
2021	\$ 42,644
2022	42,644
2023	42,644
2024	33,424
2025	<u>5,768</u>
Total minimum lease payments	167,124
Less amounts representing interest	<u>(21,967)</u>
Capital lease obligation	<u>\$ 145,157</u>

Amortization of assets held under capital leases is included with depreciation expense.

(4) Paycheck Protection Program Loan

During the year ended December 31, 2020, Restoration Ministries received a Paycheck Protection Program (PPP) loan of \$259,533 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent and utilities) incurred following receipt of the funds. Restoration Ministries recognized the amount received as government grant revenue during 2020 as qualified expenses occurred/barriers to entitlement were met. Application for forgiveness of the loan was made on August 31, 2020 for the amount of \$254,162, with inclusion of compliance substantiation and certification therein. On May 7, 2021, Restoration Ministries received notice of forgiveness of the \$254,162 from the lender. The remaining balance of \$5,371 was paid in full in June 2021.

RESTORATION MINISTRIES, INC.

Notes to Financial Statements

December 31, 2020 and 2019

(5) Net Assets with Donor Restrictions

Net assets with donor restrictions in the amount of \$35,000 at December 31, 2019 were restricted for the Children's Care Foundation Grant for 2020. Funds were fully expended during 2020.

(6) Concentrations

During the years ended December 31, 2020 and 2019, Restoration Ministries maintained deposits in excess of federally insured limits. Statement of Financial Accounting Standards No. 105 identifies these items as a concentration of credit risk requiring disclosure, regardless of the degree of risk. As of December 31, 2020 and 2019, cash deposits exceeded federally insured limits by \$223,000 and \$196,000, respectively. The risk was managed by maintaining all deposits in high quality financial institutions.

(7) Financial Assets and Liquidity

As of December 31, 2020 and 2019, financial assets available within one year for general expenditure, that is, without donor or other restriction limiting their use, are as follows:

	<u>2020</u>		<u>2019</u>
Financial assets:			
Cash and cash equivalents	\$ 558,220	\$	550,501
Receivables and other assets	<u>109,540</u>		<u>76,370</u>
Total financial assets available within one year	\$ <u>667,760</u>	\$	<u>626,871</u>

Restoration Ministries' cash flows have seasonal variations during the year attributable to the timing of its programs and program needs, and a concentration of contributions received at calendar year-end. Restoration Ministries regularly monitors liquidity required to meet operating needs, general expenditures, and other financial commitments.

(8) Commitments and Contingencies

Restoration Ministries is involved in various legal proceedings and litigation arising in the ordinary course of business. Although the eventual outcome of these matters is not presently determinable, in the opinion of Restoration Ministries' management, the resolution of such proceedings and litigation will not have a material adverse effect on the financial position of Restoration Ministries.

(9) Retirement Plan

Restoration Ministries sponsors a non-contributory retirement plan under Section 403(b) of the Internal Revenue Code. All employees are eligible to contribute to the 403(b) plan. Voluntary pre-tax deferrals are deducted through employee payroll checks.

(10) Commitments and Contingencies

Restoration Ministries is involved in various legal proceedings and litigation arising in the ordinary course of business. Although the eventual outcome of these matters is not presently determinable, in the opinion of Restoration Ministries' management, the resolution of such proceedings and litigation will not have a material adverse effect on the financial position of Restoration Ministries.