

**RESTORATION MINISTRIES, INC.**  
**Financial Statements**  
**December 31, 2021 and 2020**  
**(With Independent Auditors' Report Thereon)**

# RESTORATION MINISTRIES, INC.

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## **Independent Auditors' Report**

Board of Directors  
Restoration Ministries, Inc.

### **Opinion**

We have audited the accompanying financial statements of Restoration Ministries, Inc. (a nonprofit organization), which comprise the statements of financial position as of December 31, 2021 and 2020, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Restoration Ministries, Inc. and meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 Restoration Ministries, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditors' 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 Restoration Ministries, Inc.'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 Restoration Ministries, Inc.'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.

*Paul J. Smit & Associates*

Lansing, Illinois  
August 31, 2022

**RESTORATION MINISTRIES, INC.**

**Statements of Financial Position**

**December 31, 2021 and 2020**

<b>Assets</b>	<b>2021</b>	<b>2020</b>
Cash and cash equivalents	\$ 530,009	\$ 558,220
Contributions receivable	29,192	109,130
Prepaid expenses and other	29,708	13,675
Inventories	8,406	9,192
Property and equipment, net	<u>4,554,280</u>	<u>4,833,929</u>
Total assets	<u>\$ 5,151,595</u>	<u>\$ 5,524,146</u>
<b>Liabilities and Net Assets</b>		
Accounts payable and accrued expenses	\$ 53,589	\$ 43,620
Accrued payroll expenses	88,041	74,524
Student escrows	3,233	2,400
Paycheck Protection Program loan	—	5,371
Capital lease obligations	<u>111,837</u>	<u>145,157</u>
Total liabilities	<u>256,700</u>	<u>271,072</u>
Net Assets:		
Without donor restrictions		
Undesignated	204,310	332,509
Investment in property and equipment	4,554,280	4,833,929
Designated building funds	<u>136,305</u>	<u>86,636</u>
Total without donor restrictions	<u>4,894,895</u>	<u>5,253,074</u>
Total net assets	<u>4,894,895</u>	<u>5,253,074</u>
Total liabilities and net assets	<u>\$ 5,151,595</u>	<u>\$ 5,524,146</u>

See accompanying notes to financial statements.

**RESTORATION MINISTRIES, INC.**

**Statements of Activities**

**Years ended December 31, 2021 and 2020**

	<b>2021</b>	<b>2020</b>
Changes in net assets without donor restrictions:		
Revenue:		
Contributions	\$ 1,372,007	\$ 1,340,812
Special events, net of cost of direct benefits to donors of \$51,682 and \$46,480 in 2021 and 2020, respectively	103,316	128,694
Donated goods	3,549,242	2,747,488
Resale Store sales	1,808,120	1,224,575
Government grant - Paycheck Protection Program	—	254,162
Rental income	25,250	29,900
Gain on sale of assets	41,168	—
Other income	49,315	54,309
Net assets released from restrictions	—	35,000
Total revenue	6,948,418	5,814,940
Expenses:		
Program services:		
Youth programs	526,803	567,798
Residence program	647,279	564,935
Thrift Shop operations	3,394,015	2,516,877
Other programs	2,166,274	1,750,422
Total program services	6,734,371	5,400,032
Supporting services:		
Management and general	471,923	440,272
Fundraising	100,303	107,429
Total expenses	7,306,597	5,947,733
Decrease in net assets without donor restrictions	(358,179)	(132,793)
Changes in net assets with donor restrictions:		
Net assets released from restrictions	—	(35,000)
Decrease in net assets with donor restrictions	—	(35,000)
Decrease in net assets	(358,179)	(167,793)
Net assets at beginning of year	5,253,074	5,420,867
Net assets at end of year	\$ 4,894,895	\$ 5,253,074

See accompanying notes to financial statements.

RESTORATION MINISTRIES, INC.

Statement of Functional Expenses

Year ended December 31, 2021

	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	\$ 331,862	\$ 312,196	\$ 914,614	\$ 92,987	\$ 1,651,659	\$ 165,246	\$ 74,991	\$ —	\$ 1,891,896
Benefits	29,042	27,630	81,255	8,129	146,056	17,707	6,678	—	170,441
Payroll taxes	24,043	22,642	66,517	6,745	119,947	11,938	5,439	—	137,324
Total salaries and wages, benefits and payroll taxes	384,947	362,468	1,062,386	107,861	1,917,662	194,891	87,108	—	2,199,661
Donated goods	—	—	1,583,767	1,955,876	3,539,643	—	—	—	3,539,643
Cost of purchased items	—	—	137,817	—	137,817	—	—	—	137,817
Cost of direct benefits to donors	—	—	—	—	—	—	—	51,682	51,682
Advertising	—	—	34,636	—	34,636	—	—	—	34,636
Legal and professional	—	17,010	142	—	17,152	29,579	—	—	46,731
Telephone and internet	5,394	13,680	12,478	1,125	32,677	3,001	—	—	35,678
Supplies	33,511	57,683	15,234	25,758	132,186	10,897	—	—	143,083
Vehicle	1,293	34,849	81,416	9,121	126,679	4,757	—	—	131,436
Postage and shipping	—	97	45,091	—	45,188	3,648	—	—	48,836
Occupancy	23,966	28,259	76,439	8,588	137,252	18,860	—	—	156,112
Repair and maintenance	12,467	40,640	50,013	3,303	106,423	21,814	—	—	128,237
Printing and publications	—	—	—	—	—	—	1,470	—	1,470
Insurance	3,105	3,346	20,004	—	26,455	11,889	—	—	38,344
Licenses and fees	400	4,979	33,245	—	38,624	15,017	—	—	53,641
Grants and scholarships	—	—	75	22,700	22,775	—	—	—	22,775
Public relations	—	—	1,264	—	1,264	88,662	3,382	—	93,308
Sales tax	—	—	134,901	—	134,901	—	—	—	134,901
Interest	—	—	7,782	—	7,782	1,466	—	—	9,248
Other	6,880	11,416	19,161	4,191	41,648	16,388	8,343	—	66,379
Depreciation	54,840	72,852	78,164	27,751	233,607	51,054	—	—	284,661
Total expenses by function	526,803	647,279	3,394,015	2,166,274	6,734,371	471,923	100,303	51,682	7,358,279
Less expenses included with revenues on the statement of activities - cost of direct benefits to donors	—	—	—	—	—	—	—	(51,682)	(51,682)
Total expenses	\$ 526,803	\$ 647,279	\$ 3,394,015	\$ 2,166,274	\$ 6,734,371	\$ 471,923	\$ 100,303	\$ —	\$ 7,306,597

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	1,669,405	2,744,325	—	—	—	2,744,325
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	1,750,422	5,400,032	440,272	107,429	46,480	5,994,213
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	\$ 1,750,422	\$ 5,400,032	\$ 440,272	\$ 107,429	\$ —	\$ 5,947,733

See accompanying notes to financial statements.

**RESTORATION MINISTRIES, INC.**

**Statements of Cash Flows**

**Years ended December 31, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Change in net assets	\$ (358,179)	\$ (167,793)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities -		
Depreciation	284,661	269,869
Realized gain on sales and disposals of property and equipment	(41,168)	—
In-kind donations of property and equipment	(9,599)	(3,163)
Changes in operating assets and liabilities:		
Contributions receivable	79,938	(33,170)
Prepaid expenses and other	(16,033)	2,041
Inventories	786	2,619
Accounts payable	9,969	17,480
Accrued payroll expenses	13,517	27,355
Student escrow	833	942
Net cash provided by (used in) operating activities	<u>(35,275)</u>	<u>116,180</u>
Cash flows from investing activities:		
Cash paid for property and equipment	(14,650)	(106,881)
Proceeds from sales of property and equipment	60,405	—
Net cash provided by (used in) investing activities	<u>45,755</u>	<u>(106,881)</u>
Cash flows from financing activities:		
Cash borrowed (repaid) under Paycheck Protection Program	(5,371)	5,371
Payments on capital lease obligations	(33,320)	(6,951)
Net cash used in financing activities	<u>(38,691)</u>	<u>(1,580)</u>
Net increase (decrease) in cash and cash equivalents	(28,211)	7,719
Cash and cash equivalents at beginning of year	<u>558,220</u>	<u>550,501</u>
Cash and cash equivalents at end of year	<u>\$ 530,009</u>	<u>\$ 558,220</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for interest	<u>\$ 9,248</u>	<u>\$ 3,329</u>
Non-cash investing and financing activities:		
Equipment financed through capital lease arrangements	<u>\$ —</u>	<u>152,108</u>

See accompanying notes to financial statements.

# RESTORATION MINISTRIES, INC.

## Notes to Financial Statements

December 31, 2021 and 2020

### (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, 2021 and 2020

### *(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 donated food received, as well as the related donated food distributed expense and the donated food inventory accounts, is estimated using the respective pounds of food at a weighted-average wholesale price per pound by product category, as determined by Feeding America. Restoration Ministries treats donated food as contributions without donor restrictions and records the revenue upon receipt based on the pounds of food contributed during the year.

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, 2021 and 2020

### *(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, 2021 and 2020

*(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, 2021 and 2020, 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, 2021 and 2020, 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, 2020, and believes it is no longer subject to income tax examination for years prior to the year ended December 31, 2018.

***(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 2020 amounts have been reclassified to conform to the 2021 financial statement presentation.

# RESTORATION MINISTRIES, INC.

## Notes to Financial Statements

December 31, 2021 and 2020

### *(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, 2021, to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2021. Management has performed their analysis through August 31, 2022, the date the financial statements were available to be issued.

## **(2) Property and Equipment**

Property and equipment at December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Building and building improvements	\$ 7,269,558	\$ 7,265,531
Land	177,105	177,105
Vehicles	307,160	357,372
Furniture and equipment	255,554	248,096
Website costs	40,712	37,548
	8,050,089	8,085,652
Less accumulated depreciation	<u>(3,495,810)</u>	<u>(3,251,723)</u>
Property and equipment, net	<u>\$ 4,544,280</u>	<u>\$ 4,833,929</u>

# RESTORATION MINISTRIES, INC.

## Notes to Financial Statements

December 31, 2021 and 2020

### (3) Capital Lease Obligations

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 \$45,857 as of December 31, 2021, and the copy machine lease had balance of \$20,123 at December 31, 2021. 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, 2021 and 2020 are as follows:

Year ending December 31	2021	2020
2021	\$ —	\$ 42,644
2022	42,644	42,644
2023	42,644	42,644
2024	33,424	33,424
2025	5,768	5,768
Total minimum lease payments	124,480	167,124
Less amounts representing interest	(12,643)	(21,967)
Capital lease obligation	\$ 111,837	\$ 145,157

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, 2021 and 2020

### (5) Net Assets with Donor Restrictions

Net assets with donor restrictions in the amount of \$35,000 that were restricted for the Children's Care Foundation Grant for 2020 were released from restriction when the funds were fully expended during 2020.

### (6) Donated Goods

Donated goods for the years ended December 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Donated thrift store goods received	\$ 1,583,767	\$ 1,074,920
Donated food received	1,955,876	1,669,405
Donated property and equipment	<u>9,599</u>	<u>3,163</u>
Total donated goods	<u>\$ 3,549,242</u>	<u>\$ 2,747,488</u>

### (7) 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, 2021 and 2020, cash deposits exceeded federally insured limits by \$156,000 and \$223,000, respectively. The risk was managed by maintaining all deposits in high quality financial institutions.

### (8) Financial Assets and Liquidity

As of December 31, 2021 and 2020, financial assets available within one year for general expenditure, that is, without donor or other restriction limiting their use, are as follows:

	<u>2021</u>	<u>2020</u>
Financial assets:		
Cash and cash equivalents	\$ 530,009	\$ 558,220
Receivables and other assets	<u>29,192</u>	<u>109,540</u>
Total financial assets available within one year	<u>\$ 559,201</u>	<u>\$ 667,760</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.

**RESTORATION MINISTRIES, INC.**

**Notes to Financial Statements**

**December 31, 2021 and 2020**

**(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.