

**RESTORATION MINISTRIES, INC.**  
**FINANCIAL STATEMENTS**  
**AS OF DECEMBER 31, 2022 AND 2021**  
**TOGETHER WITH AUDITOR'S REPORT**



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Restoration Ministries, Inc.

### ***Report on the Audit of the Financial Statements***

#### ***Opinion***

We have audited the accompany financial statements of Restoration Ministries, Inc. (the Organization), (a nonprofit organization), which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, cash flows and functional expenses for the year 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, 2022, and changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted on the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Restoration Ministries, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Prior period Financial Statements***

The financial statements of the Organization as of December 31, 2021 were audited by other auditors whose report date August 31, 2022 expressed an unmodified opinion on those statements.

#### ***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, which 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.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in aggregate, they would influence the judgement 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 risk 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 judgement, there are conditions or events, considered in the aggregate, which 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.



DUGAN & LOPATKA

RESTORATION MINISTRIES, INC.  
STATEMENT OF FINANCIAL POSITION  
DECEMBER 31, 2022 AND 2021

A S S E T S

	<u>2022</u>	<u>2021</u>
CURRENT ASSETS:		
Cash and cash equivalents	\$ 272,600	\$ 530,009
Contributions receivable	156,617	29,192
Prepaid expenses	23,482	29,710
Inventory	9,491	8,406
	<u>462,190</u>	<u>597,317</u>
PROPERTY AND EQUIPMENT, net	<u>4,213,904</u>	<u>4,554,280</u>
OTHER ASSETS:		
Finance lease right-of-use asset	<u>106,698</u>	<u>-</u>
	<u>\$ 4,782,792</u>	<u>\$ 5,151,597</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:		
Account payable	\$ 60,808	\$ 53,591
Accrued expenses	100,660	88,041
Student escrows	174	3,233
Finance lease liabilities, current maturities	38,452	35,794
	<u>200,094</u>	<u>180,659</u>
LONG-TERM LIABILITIES:		
Finance lease liabilities, net of current maturities	<u>37,592</u>	<u>76,043</u>
COMMITMENTS		
NET ASSETS:		
Without donor restrictions	<u>4,545,106</u>	<u>4,894,895</u>
	<u>\$ 4,782,792</u>	<u>\$ 5,151,597</u>

The accompanying notes are an integral part of this statement.

RESTORATION MINISTRIES, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>PUBLIC SUPPORT AND REVENUE:</b>						
Contributions	\$ 1,211,618	\$ -	\$ 1,211,618	\$ 1,372,007	\$ -	\$ 1,372,007
Special events, net of cost of direct benefits to donors of \$61,428 and \$51,682 in 2022 and 2021, respectively	268,416	-	268,416	103,316	-	103,316
In-Kind contributions	5,697,826	-	5,697,826	3,549,242	-	3,549,242
Resale store income	1,876,221	-	1,876,221	1,808,120	-	1,808,120
Rental income	30,200	-	30,200	25,250	-	25,250
Program income	17,700	-	17,700	21,736	-	21,736
Gain on sale of assets	-	-	-	41,168	-	41,168
Other income	10,960	-	10,960	27,579	-	27,579
Net assets released from restrictions	-	-	-	-	-	-
<b>Total public support and revenue</b>	<b>9,112,941</b>	<b>-</b>	<b>9,112,941</b>	<b>6,948,418</b>	<b>-</b>	<b>6,948,418</b>
<b>FUNCTIONAL EXPENSES:</b>						
Program services:						
Youth programs	523,539	-	523,539	526,803	-	526,803
Residence program	650,026	-	650,026	647,279	-	647,279
Thrift Shop operations	3,344,396	-	3,344,396	3,394,015	-	3,394,015
Other program	4,354,955	-	4,354,955	2,166,274	-	2,166,274
<b>Total Program services</b>	<b>8,872,916</b>	<b>-</b>	<b>8,872,916</b>	<b>6,734,371</b>	<b>-</b>	<b>6,734,371</b>
Supporting Services:						
Management and general	477,422	-	477,422	471,923	-	471,923
Fundraising	112,392	-	112,392	100,303	-	100,303
<b>Total supporting services</b>	<b>589,814</b>	<b>-</b>	<b>589,814</b>	<b>572,226</b>	<b>-</b>	<b>572,226</b>
<b>Total functional expenses</b>	<b>9,462,730</b>	<b>-</b>	<b>9,462,730</b>	<b>7,306,597</b>	<b>-</b>	<b>7,306,597</b>
<b>CHANGE IN NET ASSETS</b>	<b>(349,789)</b>	<b>-</b>	<b>(349,789)</b>	<b>(358,179)</b>	<b>-</b>	<b>(358,179)</b>
<b>NET ASSETS, Beginning of year</b>	<b>4,894,895</b>	<b>-</b>	<b>4,894,895</b>	<b>5,253,074</b>	<b>-</b>	<b>5,253,074</b>
<b>NET ASSETS, End of year</b>	<b>\$ 4,545,106</b>	<b>\$ -</b>	<b>\$ 4,545,106</b>	<b>\$ 4,894,895</b>	<b>\$ -</b>	<b>\$ 4,894,895</b>

The accompanying notes are an integral part of this statement.

RESTORATION MINISTRIES, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in total net assets	\$ (349,789)	\$ (358,179)
Adjustments to reconcile change in total net assets to net cash (used in) operating activities:		
Depreciation	268,024	284,661
Realized gain on sale and disposals of property	-	(41,168)
In-kind donations of property and equipment	-	(9,599)
Changes in other operating assets and liabilities:		
(Increase) decrease in contributions receivable	(127,425)	79,938
(Increase) decrease in prepaid expenses and other	6,226	(16,033)
Decrease in inventories	1,085	786
Increase in accounts payable	7,219	9,969
Increase in accrued payroll expenses	12,619	13,517
Increase (decrease) in student escrow	(3,059)	833
	<u>(185,100)</u>	<u>(35,275)</u>
Net cash (used in) operating activities		
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(33,857)	(14,650)
Proceeds from the sales of property and equipment	-	60,405
	<u>(33,857)</u>	<u>45,755</u>
Net cash provided by (used in) investing activities		
CASH FLOW FROM FINANCING ACTIVITIES:		
Payments on PPP loan	-	(5,371)
Principal payments on finance lease liabilities	(38,452)	-
Payments on capital lease	-	(33,320)
	<u>(38,452)</u>	<u>(38,691)</u>
Net cash (used in) financing activities		
NET CHANGE IN CASH AND CASH EQUIVALENTS	(257,409)	(28,211)
CASH AND CASH EQUIVALENTS, Beginning of year	<u>530,009</u>	<u>558,220</u>
CASH AND CASH EQUIVALENTS, End of year	<u>\$ 272,600</u>	<u>\$ 530,009</u>
SUPPLEMENTAL INFORMATION:		
Interest paid	<u>\$ 7,124</u>	<u>\$ 9,249</u>
NON-CASH TRANSACTIONS:		
Right of use assets transferred from capital leases	<u>\$ 145,349</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

RESTORATION MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2022

	<u>Program Services</u>				Total Program Services	<u>Supporting Services</u>		Cost of Direct Benefit to Donors	Total
	Youth Programs	Residence Program	Thrift Shop Operations	Other Programs		Management and General	Fundraising		
Salaries and wages, benefits and taxes									
Salaries and wages	\$ 319,759	\$ 336,035	\$ 938,474	\$ 76,060	\$ 1,670,328	\$ 195,316	\$ 78,351	\$ -	1,943,995
Benefits	24,251	25,493	70,831	5,828	126,403	14,889	5,939	-	147,231
Payroll taxes	23,154	24,307	67,898	5,548	120,907	13,213	5,683	-	139,803
Total salaries and wages, benefits and payroll taxes	<u>367,164</u>	<u>385,835</u>	<u>1,077,203</u>	<u>87,436</u>	<u>1,917,638</u>	<u>223,418</u>	<u>89,973</u>	<u>-</u>	<u>2,231,029</u>
Donated goods	-	-	1,534,542	4,163,284	5,697,826	-	-	-	5,697,826
Cost of direct benefit to donors	-	-	-	-	-	-	-	61,428	61,428
Cost of purchased items	-	-	113,235	-	113,235	-	-	-	113,235
Advertising	-	-	44,700	-	44,700	-	-	-	44,700
Legal and professional	-	23,373	100	-	23,473	32,875	-	-	56,348
Telephone and internet	5,358	20,058	7,244	1,147	33,807	4,088	-	-	37,895
Supplies	34,077	40,879	8,189	26,209	109,354	10,074	1,668	-	121,096
Vehicle	2,569	41,927	123,155	9,503	177,154	5,042	-	-	182,196
Postage and shipping	-	27	29,040	-	29,067	3,783	-	-	32,850
Occupancy	29,039	31,064	83,364	10,120	153,587	23,319	-	-	176,906
Repair and maintenance	16,442	25,988	45,091	3,640	91,161	26,539	-	-	117,700
Printing and publications	-	-	-	-	-	215	-	-	215
Insurance	3,082	3,321	19,856	-	26,259	13,642	-	-	39,901
Investment loss	-	-	-	-	-	410	-	-	410
Licenses and fees	175	3,734	42,902	-	46,811	11,958	-	-	58,769
Grants and scholarships	-	-	-	22,300	22,300	38,462	6,258	-	67,020
Public relations	-	-	-	-	-	15,319	14,493	-	29,812
Sales tax	-	-	137,335	-	137,335	-	-	-	137,335
Interest	-	-	5,882	-	5,882	1,242	-	-	7,124
Other	10,793	8,259	1,408	3,565	24,025	18,314	-	-	42,339
Depreciation	54,840	65,561	71,150	27,751	219,302	48,722	-	-	268,024
Total functional expenses	<u>523,539</u>	<u>650,026</u>	<u>3,344,396</u>	<u>4,354,955</u>	<u>8,872,916</u>	<u>477,422</u>	<u>112,392</u>	<u>61,428</u>	<u>9,524,158</u>
Less expenses included with revenues on the statement of activities - cost of direct benefit to donors	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,428)</u>	<u>(61,428)</u>
	<u>\$ 523,539</u>	<u>\$ 650,026</u>	<u>\$ 3,344,396</u>	<u>\$ 4,354,955</u>	<u>\$ 8,872,916</u>	<u>\$ 477,422</u>	<u>\$ 112,392</u>	<u>\$ -</u>	<u>\$ 9,462,730</u>

The accompanying notes are an integral part of this statement.

RESTORATION MINISTRIES, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services				Supporting Services				
	Youth Programs	Residence Program	Thrift Shop Operations	Other Programs	Total Program Services	Management and General	Fundraising	Cost of Direct Benefit to Donors	Total
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 benefit 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 functional expenses	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 benefit to donors	-	-	-	-	-	-	-	(51,682)	(51,682)
	\$ 526,803	\$ 647,279	\$ 3,394,015	\$ 2,166,274	\$ 6,734,371	\$ 471,923	\$ 100,303	\$ -	\$ 7,306,597

The accompanying notes are an integral part of this statement.

RESTORATION MINISTRIES, INC.  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2022 AND 2021

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Restoration Ministries, Inc. (“the Organization”) was organized on February 2, 1988. Restoration Ministries, Inc. 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, Illinois.

The financial statements were available to be issued on November 13, 2023 with subsequent events being evaluated through this date.

The following summarize the significant accounting policies and practices reflected in the accompanying financial statements:

Basis of Accounting -

The financial statement of the Organization has been prepared on the accrual basis of accounting which recognizes revenues as they are earned and expenses as they are incurred.

Basis of Presentation -

Financial statement presentation follows the recommendations of the Accounting Standards Codification (ASC), *Financial Statements for Not-for-Profit Organizations*. Under the ASC, the Organization is required to report information regarding two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

*Without donor restrictions* - Net assets that are not subject to donor-imposed stipulations and may be expensed for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors.

*With donor restrictions* - Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature: those restrictions will be met by either the actions of the Organization and/or the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents -

The Organizations considers all highly liquid short-term investment with original maturities of three months or less to be cash equivalents. The Organization maintained its cash and cash equivalents account in institutions guaranteed by the Federal Deposit Insurance Corporation (FDIC), At times throughout the year, cash balance may be in excess of the FDIC insurance Limit.

Inventory -

Inventory consists of merchandise held for resale. Inventories are stated at cost, determined on a first-in, first-out basis. As of December 31, 2022 and 2021 the Organization had inventories of \$9,491 and \$8,406, respectively, consisting of mattresses purchased for resale in the thrift shop.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:  
(Continued)

Receivables -

Receivables represent grants and pledges due to the Organization from corporation, foundations, and individuals. Receivables are valued at management's estimate of the amount that will ultimately be collected. An allowance for doubtful accounts is based on specific identification of uncollectible accounts and the Organization's historical collections experience. Management has determined an allowance was not necessary as of December 31, 2022 and 2021.

Property and Equipment -

Property and equipment are stated at cost. Donated assets are recorded at their fair market value on the date of donation. The Organization capitalized all the expenditure for the fixed assets over the amount of \$3,000. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective 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. Upon sale or retirement, the cost and related accumulated depreciation eliminated from the respective account and the resulting gain or loss, is included in the statement of activities. Repairs and maintenance charges are expensed as incurred. Depreciation expense for the year ended December 31, 2022 and 2021 was \$268,024 and \$284,661 respectively.

Rental Income -

Rents are recognized as income on the accrual basis as they are earned. Advance receipts of rental income are deferred and classified as liabilities until earned. All leases between the Organization and tenants of the property are considered to be operating leases and have terms of one year or less.

Recoveries from tenants are recognized as revenue in the period during which the associated costs are incurred. Tenant recovery income includes reimbursements for property taxes, insurance, and other property expenses. Revenue recognition under a lease begins when the lessee takes possession of or controls the physical use of the leased asset. Generally, this occurs on the lease commencement date. Lease income, for leases that have fixed and measurable rent escalations, is recognized on a straight-line basis over the term of each lease. The Organization leases apartments to eligible applicants under operating leases which are substantially all on a yearly basis.

Income Taxes -

The Organizations has been determined by the Internal Revenue Service to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income tax has been established. The Organization files income tax returns in the U.S. federal jurisdiction and Illinois. With few exceptions, the Organization is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for fiscal years before 2019. The Organization does not expect a material net change in unrecognized tax benefits in the next twelve months.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:  
(Continued)

Leases -

The Organization determines if an arrangement is a lease or contains a lease at inception of the contract. The Organization's operating leases are presented in operating lease right-of-use assets, current portion of operating lease liabilities, and long-term portion of operating lease liabilities in the accompanying statement of financial position sheet as of December 31, 2022. The Organization's finance leases are presented in finance lease right-of use assets, current portion of finance lease liabilities, and long-term portion of finance lease liabilities in the accompanying statement of financial position as of December 31, 2022.

Both operating lease and finance lease right-of-use assets and lease liabilities are measured based on the present value of future lease payments over the lease term at each lease's commencement date. As most of the Organization's leases do not specify their implicit rate, the Organization has elected a practical expedient to use the nominal yield, at lease inception, applicable to U.S. Treasury instruments with a maturity of similar length of the lease term.

Operating lease right-of-use assets include all fixed contractual lease payments and initial direct costs incurred by the Organization, less any lease incentives the Organization receives from the lessor. The Organization has elected a practical expedient to account for lease and non-lease components together as a single lease component. The terms of the Organization's leases generally contain lease payments and reimbursements to the lessor of the Organization's proportionate share of common area maintenance (CAM), real estate taxes and other pass-through charges. Only the fixed lease components are included in the right-of-use assets and lease liabilities. Additionally, the Organization has elected not to apply these lease accounting policies to leases with a term of one year or less at the commencement date.

Operating lease expense for lease payments is recognized on a straight-line basis over the terms of each lease. Variable lease components include CAM, real estate taxes and other charges and are recorded as lease expense as incurred. Finance lease expense is recognized in two separate components, the interest expense on the lease liability and amortization of the right-of-use asset.

The Organization's leases can contain options granting the right to renew or extend the term of the lease for specified option periods. The decision as to whether the Organization will exercise the renewal options is generally at the Organization's sole discretion. The Organization includes lease extensions in the lease term when it is reasonably certain that the Organization will exercise the extension. The Organization did not have any operating leases for the years ended December 31, 2022 and 2021.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:  
(Continued)

Revenue Recognition for Contributions -

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give; that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met. Contributions resulting from split-interest agreements, measured at the time into which the agreements are entered, are based on the difference between the fair value of the assets received or promised and the present value of the obligation to the third-party recipient(s) under the contract.

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the assets, or if they are designated as support for future periods. When a donor restriction expires; that is, when a 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 statement of activities as net assets released from restrictions.

Program Income -

The Organization received program income from individuals who participated in the Harvey Boxing Club, Sullivan Arts, and After School programs. These services are considered a single performance obligation which is satisfied at a point in time. The performance obligation is met, and revenue is recognized when the services are provided to the individuals.

Store Income -

The Organization operates a thrift store where it sells donated clothes and household items. The transaction price is the amount of consideration to which the Organization is expected to be entitled in exchange for the transferring goods to the customer. Store income is recognized at the point of sale, which is when the Organization's performance obligation is satisfied. The store does not provide refunds on any sales.

In-Kind Contributions -

The Organization received contributed nonfinancial assets that includes donated clothes, household goods, other items, and food. Contributions of clothing, household goods and other items to the Organization's thrift store 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 the Thrift Shop operations in the accompanying statement of activities.

Contributions of donated food, as well as the related donated food distributed expense, is estimated using respective pound of food at a weighted-average wholesale price per pound by product category, as determined by Greater Chicago Food Depository (GCFD). The Organization treats donated food as a contribution without donor restrictions and records the revenue upon receipts based on the pound of food contributed during the year.

(1) NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:  
(Continued)

New Accounting Pronouncement -

Effective January 1, 2022, the Organization adopted ASU 2016-02, *Leases* (Topic 842) and subsequent amendments. Under ASU 2016-02, all of the Organization's real estate and equipment leases that have lease terms exceeding twelve months will now be required to be recognized on the statement of financial position as amortizable right-of-use assets accompanied by liabilities for the present value of the lease payments that the Organization is obligated to make in order to obtain control of the leased assets for the duration of each lease term.

Lease expense, under these amendments, will be recognized in different patterns depending on whether the underlying lease is an operating lease or a finance lease. Lease expense for operating leases will be recognized as a single expense using the straight-line method over the term of the lease, which includes options to renew the lease that the Organization is reasonably expected to exercise. Finance lease expense will consist of two components, interest expense on the lease obligation payable and straight-line amortization of the right-of-use asset.

Implementation of these amendments is reflected using the modified retrospective method as of January 1, 2022. Consequently, the 2021 financial statements and disclosures do not reflect the effects of implementing the new lease standard. As a result of implementation, the Organization reclassified capital leases recorded under the previous standard with original cost of \$193,258 and accumulated depreciation of \$47,909 as of January 1, 2022, as right of use assets. Upon implementation, the Organization elected an available package of practical expedients permitted under the transition guidance included in ASU 2018-11, *Leases* (Topic 842) – *Targeted Improvements* that permits the Organization to carry forward the historical lease identification, classification and initial direct costs associated with the Organization's pre-existing leases. The implementation of the amendments did not materially impact the Organization's net earnings or cash flows.

Use of Estimates -

The Organization prepares the financial statements in conformity with generally accepted accounting principles, which require the use of estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

Allocation of Expenses -

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include personnel wages, taxes, fringe benefits, depreciation, in-kind expenses, professional fees, supplies, and utilities which are allocated on the basis of estimated of time and effort.

Reclassification -

Certain prior year amounts have been reclassified to conform to the current year presentation.

(2) PROPERTY AND EQUIPMENT:

Property and equipment on December 31, 2022 and 2021, consisted of the following:

	<u>2022</u>	<u>2021</u>
Building and building improvements	\$ 7,297,998	\$ 7,269,558
Land	177,105	177,105
Vehicles	138,251	307,160
Furniture and equipment	237,112	255,554
Website costs	<u>40,712</u>	<u>40,713</u>
	7,891,178	8,050,090
Less - Accumulated depreciation	<u>(3,677,274)</u>	<u>(3,495,810)</u>
Property and equipment, net	<u>\$ 4,213,904</u>	<u>\$ 4,544,280</u>

(3) FINANCE LEASE:

The Organization leases equipment under various finance leases, which expire at various dates through 2025. Total equipment under the finance lease is \$193,258 before accumulated amortization. The net book value of the leased equipment totaled \$106,698 on December 31, 2022.

The components of lease expense for the year ending December 31, 2022 are as follows:

Finance lease expense -	
Amortization of right-of-use assets	\$ 38,652
Interest on lease liability	<u>6,850</u>
Total finance lease expense	<u>\$ 45,502</u>

Future minimum lease payments under noncancelable leases as of December 31, 2022 are as follows

2023	\$ 42,644
2024	33,425
2025	<u>5,769</u>
Total future minimum lease payments	81,838
Less amount representing interest	<u>(5,794)</u>
Present value of net minimum lease payments	<u>\$ 76,044</u>

(3) FINANCE LEASE: (Continued)

The following provides additional information related to the Company's leases as of and for the year ended December 31, 2022 as follows:

Current portion of lease liabilities	\$ 38,452
Long-term portion of lease liabilities	<u>37,592</u>
Total lease liabilities	<u>\$ 76,044</u>
Weighted average lease term	1.92 years
Weighted average discount rate	7.16%

Cash paid for amounts included in the measurements of the Organization's leases for the year ended December 31, 2022 as follow:

Finance cash flow from finance lease	<u>\$ 38,452</u>
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(4) RETIREMENT PLAN:

The Organization 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.

(5) COMMITMENTS AND CONTINGENCIES:

The Organization 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 the Organization's management, the resolution of such proceedings and litigation will not have a material adverse effect on the financial position of the Organization.

(6) CONCENTRATION OF CREDIT RISK:

Financial instruments which potentially subject the Organization to concentrations of credit risk consist principally of cash. The Organization places its cash and deposits with high-quality financial institutions; however, deposits may exceed the federally insured limits. The Organization had approximately \$18,000 and \$156,000 in uninsured cash balance as of December 31, 2022 and 2021, respectively.

(7) IN-KIND CONTRIBUTIONS:

The Organization received in-kind contributions for the years ended December 31, 2022 and 2021 as follows:

	<u>2022</u>	<u>2021</u>
Donated thrift store merchandise	\$ 1,534,542	\$ 1,583,767
Donated food	4,163,284	1,955,876
Donated property and equipment	<u>-</u>	<u>9,599</u>
Total in-kind contributions	<u>\$ 5,697,826</u>	<u>\$ 3,549,242</u>

Fair value of in-kind contributions is determined as follows:

*Donated thrift store merchandise:* The thrift store merchandise are the items donated to the Organization that are sold at their resale store. These items range from everyday goods like clothes, to furniture, artwork, and other household items. The value of the store merchandise recorded is the price at which the item was sold for.

*Donated food:* The food provided is used to support the individuals in the housing assistance program. The value of the food is determined by the Greater Chicago Food Depository (GCFD).

*Donated property and equipment:* The donated property and equipment are used by the Organization for program services and fundraising. The item includes used cars. The Organization valued at the estimated wholesale prices of identical or similar property and equipment.

(8) LIQUIDITY AND AVAILABILITY:

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

	<u>2022</u>	<u>2021</u>
Financial Assets:		
Cash and cash equivalents	\$ 272,600	\$ 530,009
Receivables	<u>156,617</u>	<u>29,192</u>
Total financial assets	429,217	559,201
Less: Donor imposed restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditures that are without donor or other restrictions limiting their use within one year	<u>\$ 429,217</u>	<u>\$ 559,201</u>

(8) LIQUIDITY AND AVAILABILITY: (Continued)

The Organization manages its liquidity and reserves adhering to the following principles:

- Operating within a prudent range of financial soundness and stability;
- Maintaining adequate liquid assets to fund near-term operating needs;
- Maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.