

THE FOUNDRY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2017 AND 2016

**THE FOUNDRY MINISTRIES, INC.
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JUNE 30, 2017 AND 2016**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Foundry Ministries, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of The Foundry Ministries, Inc. (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 The Foundry Ministries, Inc. as of June 30, 2017 and 2016, 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.

Warren Overett, LLC

Birmingham, Alabama

October 17, 2017

**THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and cash equivalents	\$ 385,151	\$ 349,184
Pledges receivable, net of allowance for uncollectible accounts of \$-0- in 2017 and 2016	810	24,110
Inventory	193,832	193,832
Other current assets	38,253	31,448
Total current assets	618,046	598,574
PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION	4,412,767	4,993,175
OTHER ASSETS		
Deposits	42,355	20,479
Total other assets	42,355	20,479
TOTAL ASSETS	\$ 5,073,168	\$ 5,612,228

See notes to the financial statements.

**THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CURRENT LIABILITIES		
Line of credit	\$ 231,772	\$ 149,731
Accounts payable	223,473	206,470
Accrued payroll and related taxes	11,307	12,837
Sales tax payable	27,117	26,553
Current portion of long-term debt and capital lease obligation	<u>250,981</u>	<u>1,333,935</u>
Total current liabilities	<u>744,650</u>	<u>1,729,526</u>
LONG-TERM DEBT	1,277,856	21,066
CAPITAL LEASE OBLIGATION	86,353	17,161
NET ASSETS		
Unrestricted	2,964,309	3,120,365
Temporarily restricted	<u>-</u>	<u>724,110</u>
Total net assets	<u>2,964,309</u>	<u>3,844,475</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 5,073,168</u></u>	<u><u>\$ 5,612,228</u></u>

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,109,357	\$ -	\$ 1,109,357
Grants	208,250	-	208,250
Auto center sales	427,088	-	427,088
Bargain center sales	3,569,133	-	3,569,133
Conferences, seminars, and banquets	439,760	-	439,760
Other income	7,104	-	7,104
Program income	1,317,867	-	1,317,867
Farm capital campaign	98,650	-	98,650
Loss on sale of property and equipment	<u>(2,684)</u>	<u>-</u>	<u>(2,684)</u>
	7,174,525	-	7,174,525
Net assets released from restrictions	<u>724,110</u>	<u>(724,110)</u>	<u>-</u>
Total revenue and support	<u>7,898,635</u>	<u>(724,110)</u>	<u>7,174,525</u>
EXPENSES			
Auto center	264,688	-	264,688
Bargain center	2,271,952	-	2,271,952
Recovery program	4,589,753	-	4,589,753
Administrative expenses	295,294	-	295,294
Fund-raising expenses	550,429	-	550,429
Interest expense	<u>82,575</u>	<u>-</u>	<u>82,575</u>
Total expenses	<u>8,054,691</u>	<u>-</u>	<u>8,054,691</u>
DECREASE IN NET ASSETS	<u>(156,056)</u>	<u>(724,110)</u>	<u>(880,166)</u>
NET ASSETS AT BEGINNING OF YEAR	<u>3,120,365</u>	<u>724,110</u>	<u>3,844,475</u>
NET ASSETS AT END OF YEAR	<u><u>\$ 2,964,309</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,964,309</u></u>

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUE AND SUPPORT			
Contributions	\$ 1,077,885	\$ -	\$ 1,077,885
Grants	245,750	500,000	745,750
Auto center sales	428,692	-	428,692
Bargain center sales	3,604,186	-	3,604,186
Conferences, seminars, and banquets	301,893	-	301,893
Other income	8,500	-	8,500
Program income	1,044,508	-	1,044,508
Farm capital campaign	144,421	-	144,421
Loss on sale/impairment of property and equipment	<u>(82,682)</u>	<u>-</u>	<u>(82,682)</u>
	6,773,153	500,000	7,273,153
Net assets released from restrictions	<u>576,484</u>	<u>(576,484)</u>	<u>-</u>
Total revenue and support	<u>7,349,637</u>	<u>(76,484)</u>	<u>7,273,153</u>
EXPENSES			
Auto center	313,003	-	313,003
Bargain center	2,313,516	-	2,313,516
Recovery program	3,513,582	-	3,513,582
Administrative expenses	278,253	-	278,253
Fund-raising expenses	522,783	-	522,783
Interest expense	<u>80,217</u>	<u>-</u>	<u>80,217</u>
Total expenses	<u>7,021,354</u>	<u>-</u>	<u>7,021,354</u>
INCREASE (DECREASE) IN NET ASSETS	<u>328,283</u>	<u>(76,484)</u>	<u>251,799</u>
NET ASSETS AT BEGINNING OF YEAR	<u>2,792,082</u>	<u>800,594</u>	<u>3,592,676</u>
NET ASSETS AT END OF YEAR	<u>\$ 3,120,365</u>	<u>\$ 724,110</u>	<u>\$ 3,844,475</u>

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

2017	<u>Auto Center</u>	<u>Bargain Centers</u>	<u>Recovery Program</u>	<u>Administrative Expenses</u>	<u>Fund-Raising Expenses</u>
Cost of goods sold	\$ 43,261	\$ 51,797	\$ -	\$ -	\$ -
Advertising	15,816	8,179	59,840	-	-
Alarm	1,115	5,897	24,136	-	-
Auto expense	20,964	195,321	107,252	-	-
Bank charges	-	-	-	11,654	-
Subscriptions	2,619	13,607	12,203	2,107	8,434
Conferences	-	-	-	2,229	2,419
Contract labor	-	100	7,350	-	14,535
Donation	-	-	795,000	-	-
Copier	1,345	5,656	-	2,520	3,274
Credit card fees	1,558	45,631	-	-	8,276
Curriculum	-	-	22,005	-	-
Medical expense	-	-	77,906	-	-
Employee benefits	197	1,644	4,012	329	396
Equipment expense	1,992	37,552	9,074	250	250
Events	-	-	-	-	123,562
Groceries	-	-	550,431	-	-
Insurance expense	12,678	105,076	243,326	19,901	25,079
Gifts	-	-	15,685	2,900	-
Other	2,371	20,568	20,147	29,423	31,431
Salaries and wages	83,158	685,715	1,669,227	89,100	164,362
Printing and reproduction	-	3,358	1,399	359	89,816
Professional fees	-	19,875	1,205	99,364	48,556
Rent	42,000	528,670	135,655	-	-
Repairs and maintenance	1,618	15,256	67,952	-	-
Supplies	2,019	73,003	114,231	3,608	2,724
Utilities	23,610	382,712	449,442	14,942	8,883
Travel and entertainment	-	2,618	5,853	2,665	1,700
Depreciation	8,367	69,717	196,422	13,943	16,732
	<u>\$ 264,688</u>	<u>\$ 2,271,952</u>	<u>\$ 4,589,753</u>	<u>\$ 295,294</u>	<u>\$ 550,429</u>

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

2016	<u>Auto Center</u>	<u>Bargain Centers</u>	<u>Recovery Program</u>	<u>Administrative Expenses</u>	<u>Fund-Raising Expenses</u>
Cost of goods sold	\$ 51,019	\$ 107,259	\$ -	\$ -	\$ -
Advertising	14,263	42,407	78,977	-	-
Alarm	778	4,095	22,267	-	-
Auto expense	18,191	164,232	92,935	-	-
Bank charges	-	-	-	11,606	-
Subscriptions	2,412	16,097	11,468	2,719	12,307
Conferences	-	-	-	3,607	2,887
Contract labor	-	-	5,200	-	14,324
Copier	1,105	11,689	15,702	1,452	5,672
Credit card fees	2,246	45,282	-	-	7,982
Curriculum	-	-	15,832	-	-
Medical expense	-	-	83,399	-	-
Employee benefits	368	2,343	5,316	651	540
Equipment expense	1,713	14,349	14,917	-	-
Events	1,331	8,320	19,964	1,663	92,444
Groceries	-	-	267,118	-	-
Insurance expense	17,887	116,837	248,098	21,726	27,476
Gifts	655	4,035	18,440	3,019	982
Other	853	10,391	37,619	43,517	29,257
Salaries and wages	115,049	739,292	1,627,428	71,408	171,254
Printing and reproduction	-	3,932	919	-	102,760
Professional fees	-	9,665	8,483	82,976	16,050
Rent	42,000	455,969	132,742	-	-
Repairs and maintenance	1,655	26,660	64,287	5,660	189
Supplies	1,855	73,818	122,378	6,588	2,290
Utilities	27,659	375,203	450,125	8,704	11,478
Travel and entertainment	286	2,210	7,715	1,882	7,374
Depreciation	11,678	79,431	162,253	11,075	17,517
	<u>\$ 313,003</u>	<u>\$ 2,313,516</u>	<u>\$ 3,513,582</u>	<u>\$ 278,253</u>	<u>\$ 522,783</u>

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (880,166)	\$ 251,799
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization	309,534	285,477
Loss on sale/impairment of property and equipment	2,684	82,682
Donation of real property	720,000	-
(Increase) decrease in assets:		
Pledges receivable	23,300	(16,225)
Inventory	-	14,705
Other current assets	(6,805)	2,461
Deposits	(21,876)	-
Increase (decrease) in liabilities:		
Accounts payable	17,003	(94,527)
Accrued payroll and related taxes	(1,530)	(8,074)
Sales tax payable	564	1,355
Net cash provided by operating activities	<u>162,708</u>	<u>519,653</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	1,800	66,195
Purchases of property and equipment	(317,691)	(940,207)
Purchase of loan costs	(13,486)	-
Net cash used in investing activities	<u>(329,377)</u>	<u>(874,012)</u>

See notes to the financial statements.

**THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Change on line of credit	\$ 82,041	\$ 149,731
Proceeds from borrowings	205,704	826,436
Repayment of long-term debt and capital lease obligations	<u>(85,109)</u>	<u>(979,684)</u>
Net cash provided (used) by financing activities	<u>202,636</u>	<u>(3,517)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>35,967</u>	<u>(357,876)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>349,184</u>	<u>707,060</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 385,151</u>	<u>\$ 349,184</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the period for interest	<u>\$ 78,222</u>	<u>\$ 76,694</u>
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Refinancing of long-term debt through additional long-term debt	<u>\$ 1,348,727</u>	<u>\$ -</u>
Purchase of equipment through assumption of capital lease obligation	<u>\$ 131,566</u>	<u>\$ -</u>

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

The Foundry Ministries, Inc. (the Organization) operates a nonprofit, Christ-centered rescue mission, long-term addiction recovery center, and re-entry program. Located in Bessemer, Alabama, the ministry provides shelter, food, and clothing to more than 300 men and women in their 12- to 14-month residential recovery program at minimal cost to the individual. The Organization's outside support comes primarily from individual donors' contributions. The Organization also derives a significant portion of its revenue from operating three bargain centers.

Basis of Financial Statement Preparation

The Organization uses the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date and revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. Temporarily restricted net assets include contributed net assets for which donor imposed time restrictions have not been met and the ultimate purpose of the contribution is not permanently restricted.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions. Contributions are generally available for unrestricted use during the year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions. The Organization has chosen to show restricted contributions when restrictions are met in the same reporting period as unrestricted support.

Contributions of donated noncash assets are recorded at their fair values in the period received.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and changes in net assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

THE FOUNDRY MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Cash and Cash Equivalents

The Organization considers all liquid investments with a maturity date of three months or less when purchased to be cash equivalents. The Organization maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

Inventory

Inventory, consisting of vehicles held-for-sale and donated inventory in the bargain center, is recorded at fair market value at the time the inventory is contributed.

The Organization receives contributions of goods and materials (inventory) and processes these contributions as merchandise available-for-sale in its retail thrift stores. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received as assets, decreases of liabilities, or expenses, depending on the form of the benefits received. Contributions are measured at fair value.

The Organization believes that the inventory of the contributed goods and materials does not possess an attribute that is easily measurable or verifiable with sufficient reliability to determine an inventory value at the time of donation. It is only through the value-added processes that prepare the donated inventory for sale that the donated inventory has value. Accordingly, contributed goods and materials inventory are valued at zero prior to being offered for sale. The Organization considers the costs associated with bringing the donated inventory to sale (i.e., donation collection, transportation, sorting, and pricing expenses) in its estimate of the fair value of inventory.

Property and Equipment

Property and equipment is stated at cost or, if donated, at estimated market value at the date of gift. Expenditures for repairs and maintenance are charged to expense as incurred, and additions and improvements that significantly extend the lives of assets are capitalized. Upon sale or other retirement of depreciable property, the cost and accumulated depreciation are removed from the related accounts, and any gain or loss is reflected in operations. Depreciation is provided using the straight-line and accelerated methods based on the following estimated useful lives:

Furniture, fixtures, and equipment	3 - 10 years
Vehicles	5 - 10 years
Buildings and improvements	5 - 40 years

Intangibles

Loan costs consist of expenditures related to issuing the secured long-term debt and are included as a reduction of long-term debt in the accompanying financial statements. These costs are being amortized on a straight-line basis over the life of the secured long-term debt. Amortization expense totaled \$4,353 for the year ended June 30, 2017 (\$3,523 for the year ended June 30, 2016).

THE FOUNDRY MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fair Value Measurements

The Organization applies the guidance issued by the Financial Accounting Standards Board (FASB) regarding fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosure requirements regarding fair value measurements. This guidance also emphasizes that fair value is a market-based measurement, not an entity-specific measurement, and sets out a fair value hierarchy with the highest priority being quoted prices in active markets. Under this guidance, fair value measurements are disclosed by level within that hierarchy.

Taxes Assessed by Governmental Authorities on Revenue

The Organization collects sales taxes from customers and remits these amounts to applicable taxing authorities. The Organization's accounting policy is to exclude these taxes from revenues and cost of sales.

Tax Status

The Organization's revenues are exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code, except for amounts representing unrelated business revenues.

Uncertain Tax Positions

The Organization applies authoritative guidance relating to uncertainty in income taxes. This guidance requires entities to assess their tax positions for the likelihood that they would be overturned upon Internal Revenue Service (IRS) examination or upon examination by state taxing authorities. In accordance with this guidance, the Organization has assessed its tax positions and determined that it does not have any positions at June 30, 2017 and 2016, that it would be unable to substantiate. Under statute, the Organization is subject to IRS and state taxing authority review for tax years 2015 through 2016. The Organization has filed tax returns through 2016.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled \$83,835 for the year ended June 30, 2017 (\$135,647 for the year ended June 30, 2016).

Implementation of New Standard

Effective July 1, 2016, the Organization retrospectively adopted FASB Accounting Standards Update (ASU) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs* (Subtopic 835-30). This update requires unamortized loan costs to be presented in the statement of financial position as a direct deduction from the carrying value of the associated debt liability, consistent with the presentation of a debt discount. It also requires the amortization expense to be presented in the statement of activities and changes in net assets with interest expense.

THE FOUNDRY MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in generally accepted accounting principles in the United States of America (U.S. GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. Early adoption is not permitted. The amendments in this update are effective for annual periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 15, 2019. The Organization is currently evaluating the effect that the provisions of ASU No. 2014-09 will have on the Organization's financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, (Topic 842), increasing the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The amendments in this update are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. The Organization is currently evaluating the effect that the provisions of ASU No. 2016-02 will have on the Organization's financial statements.

In August 2016, the FASB issued ASU No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities* (Topic 958), which improves the current net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Early application of the amendments in this update is permitted. The Organization is currently evaluating the effect that the provisions of ASU No. 2016-14 will have on the Organization's financial statements.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows* (Topic 230) *Classification of Certain Cash Receipts and Cash Payments*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early application of the amendments in this update is permitted. The Organization is currently evaluating the effect that the provisions of ASU No. 2016-15 will have on the Organization's financial statements.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through October 17, 2017.

**THE FOUNDRY MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

2. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2017 and 2016, consist of the following:

	2017	2016
Receivable in less than one year	\$ 810	\$ 24,110
Total pledges receivable	810	24,110
Less allowance for uncollectible pledges receivable	-	-
	\$ 810	\$ 24,110

3. PROPERTY AND EQUIPMENT

Additions or deletions to property and equipment at June 30, 2017, are summarized by major classifications as follows:

	June 30, 2016	2017 Additions	2017 Disposals	2017 Transfers	June 30, 2017
Furniture, fixtures, and equipment	\$ 1,171,020	\$ 155,989	\$ -	\$ -	\$ 1,327,009
Vehicles	305,089	22,934	(38,432)	-	289,591
Buildings and improvements	5,363,043	15,551	(582,200)	-	4,796,394
Land	426,847	-	(137,800)	-	289,047
	\$ 7,265,999	\$ 194,474	\$ (758,432)	\$ -	6,702,041
Less accumulated depreciation					2,544,057
Construction-in-progress					4,157,984 254,783
					\$ 4,412,767

In 2017, the Organization donated a building and land to another nonprofit organization. The building and land were valued at \$720,000 which is included as a donation in the recovery program expenses.

**THE FOUNDRY MINISTRIES, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017 AND 2016**

3. PROPERTY AND EQUIPMENT – CONTINUED

Additions or deletions to property and equipment at June 30, 2016 are summarized by major classifications as follows:

	June 30, 2015	2016 Additions	2016 Disposals	2016 Transfers	June 30, 2016
Furniture, fixtures, and equipment	\$ 1,112,693	\$ 68,524	\$ (10,197)	\$ -	\$ 1,171,020
Vehicles	305,089	-	-	-	305,089
Buildings and improvements	4,635,919	871,683	(152,557)	7,998	5,363,043
Land	426,847	-	-	-	426,847
	<u>\$ 6,480,548</u>	<u>\$ 940,207</u>	<u>\$ (162,754)</u>	<u>\$ 7,998</u>	7,265,999
Less accumulated depreciation					<u>2,272,824</u>
					<u>\$ 4,993,175</u>

Depreciation expense totaled \$305,181 for the year ended June 30, 2017 (\$281,954 for the year ended June 30, 2016). Construction-in-progress consists of renovations to buildings. The estimated costs to complete the projects are \$780,000.

4. REVOLVING LINE OF CREDIT

At June 30, 2017, the Organization had a \$350,000 revolving line of credit with a financial institution (\$250,000 at June 30, 2016). The revolving line of credit is secured by the Organization's inventory, receivables, general intangibles, and equipment. The revolving line of credit is subject to renewal in December 2017. Interest on the revolving line of credit accrues at the bank's prime rate plus 0.50% (bank's prime rate plus 0.25% at June 30, 2016) and is payable monthly. The actual rate charged was 4.75% and 3.85% at June 30, 2017 and 2016, respectively. At June 30, 2017, the balance outstanding under the revolving line-of-credit agreement was \$231,772 (\$149,731 as of June 30, 2016). The line of credit and fixed rate note payable contains certain financial covenants with respect to liabilities divided by tangible net worth and debt coverage ratios for which the Organization was in violation of the debt coverage ratio at June 30, 2017. The Organization received a waiver of the above covenant from the financial institution on October 16, 2017. The fixed rate note payable is cross-collateralized with the bank loan.

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5. LONG-TERM DEBT

Long-term debt at June 30, 2017 and 2016, consisted of the following:

	2017	2016
4.01% note payable – individual, due in monthly installments of \$2,970, including interest, refinanced in 2017, uncollateralized	\$ -	\$ 31,557
3.79% note payable – bank, due in monthly installments of \$1,101, including interest, refinanced in 2017, collateralized by equipment	-	36,341
3.99% note payable – bank, due in monthly installments ranging from \$3,213 to \$6,665, including interest, refinanced in 2017, collateralized by real estate	-	1,280,846
4.27% note payable – bank, due in monthly installments of \$14,140, including interest, maturing with a balloon payment in February 2022, collateralized by real estate	1,339,292	-
8% note payable – individual, due on demand plus monthly interest payments, uncollateralized	75,000	-
8% note payable – individual, due in monthly installments of \$2,350, including interest, maturing in May 2020, uncollateralized	73,150	-
4.5% fixed rate note payable maturing in February 2022. The maximum amount of credit available under this agreement is \$275,000. Interest payable monthly beginning July 2017. Principal is payable monthly beginning December 2017, and then monthly installments of \$2,292, including interest. Collateralized by real estate.	29,431	-
	1,516,873	1,348,744
Less current portion	226,655	1,324,449
	1,290,218	24,295
Less unamortized loan costs	12,362	3,229
	\$ 1,277,856	\$ 21,066

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5. LONG-TERM DEBT – CONTINUED

Following is a summary of principal maturities of long-term debt for each of the next five years and in the aggregate:

2018		\$	226,655
2019			160,505
2020			149,772
2021			130,364
2022			849,577
			849,577
		\$	1,516,873

6. CAPITAL LEASE OBLIGATION

In 2017, the Organization entered into a capital lease obligation related to equipment with an original cost of \$131,566 and an imputed interest rate of 6.84%. Under the terms of the capital lease obligation, payments are due in monthly installments including interest through July 2021. The capital lease is collateralized by the equipment and is being amortized over its estimated productive life. The outstanding balance at June 30, 2017, was \$110,679.

In 2014, the Organization entered into some capital lease obligations related to equipment with an original cost of \$55,759 and imputed interest ranging from 6.03% to 11.61%. Under the terms of the capital lease obligations, payments are due in monthly installments, including interest. The capital leases are collateralized by the office equipment and are being amortized over their estimated productive lives. The outstanding balance at June 30, 2017, was \$-0- (\$26,647 at June 30, 2016).

Scheduled principal and interest repayments on the capital lease obligations are as follows:

		Principal		Interest
2018	\$	24,326	\$	6,817
2019		26,043		5,100
2020		27,881		3,262
2021		29,849		1,294
2022		2,580		15
		2,580		15
	\$	110,679	\$	16,488

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7. RETIREMENT PLAN

In 2012, the Organization established a 401(k) plan for its full-time employees. Contributions made by the Organization are at the discretion of the Organization. During 2017, the Organization contributed \$3,881 to the plan (\$4,102 in 2016).

8. COMMITMENTS AND CONTINGENCIES

Total lease expense for all operating leases for the year ended June 30, 2017, amounted to \$875,330 (\$767,471 for the year ended June 30, 2016).

The Organization leases office space, thrift stores, and various pieces of equipment under operating lease agreements. Minimum future rentals under noncancellable leases having terms in excess of one year as of June 30 for each of the next five years, thereafter, and in the aggregate are as follows:

2018	\$ 700,367
2019	707,456
2020	717,920
2021	728,374
2022	536,306
Thereafter	<u>58,650</u>
	<u><u>\$ 3,449,073</u></u>

From time to time, the Organization is subjected to various lawsuits that arise in the ordinary course of its business. As of June 30, 2017, management believes that the ultimate resolution of these pending legal proceedings will not have a material effect on the Organization's results of operations, financial positions, or cash flows.

In May 2014, the Organization entered into an Affordable Housing Program agreement with a financial institution in which the Organization was granted a \$500,000 subsidy for new construction of a multifamily rental unit in Cullman County. The deadline for project completion is May 29, 2017, and the funds are only required to be repaid to the financial institution if, as a result of a party's actions or omissions, the funds are not used in compliance with the terms of the agreement. The Organization is still subject to certain stipulations for full use of the subsidy. As of June 30, 2016, the subsidy had been utilized in full to pay-off the construction term loan and recorded as revenue in the statement of activities and changes in net assets.

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9. SUBSEQUENT EVENT

In August 2017, the Organization refinanced its \$275,000 fixed rate note payable with a financial institution. The maximum amount of credit available under this agreement is \$1,000,000 until March 1, 2018, at an interest rate of one-month LIBOR plus 3 percentage points. Principal is payable monthly beginning April 1, 2018 with monthly installments of \$10,244, including interest. The new loan matures in March 2023.