THE FOUNDRY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2023 AND 2022

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

The report accompanying this deliverable was issued by Warren Averett, LLC.

THE FOUNDRY MINISTRIES, INC.
TABLE OF CONTENTS
JUNE 30, 2023 AND 2022

Warren Averett
CPAs AND ADVISORS

2500 Acton Road
Birmingham, AL 35243
205.979.4100
warrenaverett.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
The Foundry Ministries, Inc.

Opinion
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, 2023 and 2022, 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.

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, 2023 and 2022, 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 The Foundry Ministries, Inc. and to 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 The Foundry 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 auditors' 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 The Foundry 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 The Foundry 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.

Warren Averett, LLC

Birmingham, Alabama
February 21, 2024

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash and cash equivalents	$ 633,912	$ 1,189,194
Restricted cash	269,848	269,718
Inventory	239,313	305,975
Other current assets	92,019	44,656
Total current assets	1,235,092	1,809,543
PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION	4,489,926	4,437,011
OPERATING RIGHT-OF-USE LEASE ASSET	2,248,246	-
OTHER ASSETS		
Deposits	57,047	45,882
Total other assets	57,047	45,882
TOTAL ASSETS	$ 8,030,311	$ 6,292,436

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Line of credit	$ 194,510	$ 406,076
Accounts payable and accrued expenses	526,497	526,330
Accrued payroll and related taxes	31,212	17,732
Sales tax payable	35,010	35,430
Current portion of long-term debt	71,332	1,726,479
Current portion of operating lease and financing lease obligations	527,991	-
Total current liabilities	1,386,552	2,712,047
LONG-TERM DEBT	1,956,252	501,246
RIGHT-OF-USE OBLIGATIONS		
Financing right-of-use obligations	22,514	40,290
Operating right-of-use obligations	1,725,657	-
NET ASSETS		
Without donor restrictions	2,939,336	3,038,853
Total net assets	2,939,336	3,038,853
TOTAL LIABILITIES AND NET ASSETS	$ 8,030,311	$ 6,292,436

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions of cash and other financial assets	$ 1,176,840	$ -	$ 1,176,840
Grants	668,466	-	668,466
Auto center sales	63,636	-	63,636
Bargain center sales	4,671,788	-	4,671,788
Conferences, seminars and banquets	377,380	-	377,380
Other income	18,050	-	18,050
Program income	761,911	-	761,911
Loss on sale of property and equipment	(176,614)	-	(176,614)
Total revenue and support	7,561,457	-	7,561,457
EXPENSES			
Auto center	6,249	-	6,249
Bargain centers	3,127,673	-	3,127,673
Recovery program	2,849,905	-	2,849,905
Administrative expenses	928,436	-	928,436
Fundraising expenses	748,711	-	748,711
Total expenses	7,660,974	-	7,660,974
DECREASE IN NET ASSETS	(99,517)	-	(99,517)
NET ASSETS AT BEGINNING OF YEAR	3,038,853	-	3,038,853
NET ASSETS AT END OF YEAR	$ 2,939,336	$ -	$ 2,939,336

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions of cash and other financial assets	$ 1,251,665	$ -	$ 1,251,665
Grants	396,187	-	396,187
PPP grant	698,945	-	698,945
Auto center sales	95,778	-	95,778
Bargain center sales	5,237,922	-	5,237,922
Conferences, seminars and banquets	833,412	-	833,412
Other income	6,109	-	6,109
Program income	612,963	-	612,963
Loss on sale of property and equipment	(27,032)	-	(27,032)
Total revenue and support	9,105,949	-	9,105,949
EXPENSES			
Auto center	157,531	-	157,531
Bargain centers	3,706,715	-	3,706,715
Recovery program	2,526,920	-	2,526,920
Administrative expenses	621,497	-	621,497
Fundraising expenses	818,266	-	818,266
Total expenses	7,830,929	-	7,830,929
INCREASE IN NET ASSETS	1,275,020	-	1,275,020
NET ASSETS AT BEGINNING OF YEAR	1,763,833	-	1,763,833
NET ASSETS AT END OF YEAR	$ 3,038,853	$ -	$ 3,038,853

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023

	Auto Center	Bargain Centers	Recovery Program	Administrative Expenses	Fundraising Expenses	Total
Advertising	$ -	$ -	$ -	$ -	$ 129,087	$ 129,087
Alarm	-	7,324	42,929	-	-	50,253
Auto expense	173	176,979	96,231	3,793	-	277,176
Bank charges	-	-	110	22,657	-	22,767
Conferences	-	-	487	4,803	800	6,090
Contract labor	-	-	-	-	1,279	1,279
Copier	-	3,823	8,482	1,230	669	14,204
Cost of goods sold	6,081	106,951	-	-	-	113,032
Credit card fees	299	115,658	6,721	1,632	9,155	133,465
Curriculum	-	84	58,173	-	-	58,257
Depreciation	-	-	-	271,165	-	271,165
Donations	-	-	-	24,000	-	24,000
Interest	-	34,992	52,114	51,883	81	139,070
Employee benefits	-	-	-	1,249	-	1,249
Equipment expense	-	8,319	11,937	344	244	20,844
Events	-	-	-	-	135,494	135,494
Groceries	-	-	462,031	-	-	462,031
Insurance expense	1,375	129,135	165,760	52,420	36,524	385,214
Other	(1,679)	106,179	181,378	58,451	38,771	383,100
Printing and reproduction	-	2,861	1,744	336	74,569	79,510
Professional fees	-	16,138	71,168	79,675	13,650	180,631
Rent	-	694,983	-	-	-	694,983
Repairs and maintenance	-	33,059	166,279	2,832	326	202,496
Salaries and wages	-	1,245,191	1,077,789	299,655	263,946	2,886,581
Subscriptions	-	25,444	46,098	8,349	35,087	114,978
Utilities	-	407,512	376,139	7,978	7,756	799,385
Travel and entertainment	-	13,041	24,335	35,984	1,273	74,633
	$ 6,249	$ 3,127,673	$ 2,849,905	$ 928,436	$ 748,711	$ 7,660,974

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Auto Center	Bargain Centers	Recovery Program	Administrative Expenses	Fundraising Expenses	Total
Advertising	$ -	$ 400	$ 16	$ -	$ 141,234	$ 141,650
Alarm	195	9,799	30,399	575	-	40,968
Auto expense	4,217	228,924	120,041	5,150	-	358,332
Bank charges	442	824	254	22,804	-	24,324
Conferences	-	-	25	25	3,025	3,075
Contract labor	17	3,538	1,363	1,506	17,789	24,213
Copier	9	3,864	5,545	371	619	10,408
Cost of goods sold	(5,282)	31,394	-	-	-	26,112
Credit card fees	2,522	95,388	4,505	1,673	11,666	115,754
Curriculum	-	-	10,749	-	-	10,749
Depreciation	9,393	118,918	132,624	12,524	21,916	295,375
Donations	-	-	-	24,000	-	24,000
Interest	112	37,990	39,316	33,264	485	111,167
Employee benefits	-	-	-	1,371	-	1,371
Equipment expense	-	24,262	12,454	-	-	36,716
Events	-	6	-	2	174,516	174,524
Groceries	-	516	365,420	-	-	365,936
Insurance expense	1,956	155,259	150,413	75,963	24,398	407,989
Other	122	3,279	27,307	35,960	28,803	95,471
Printing and reproduction	-	1,823	515	227	89,435	92,000
Professional fees	-	27,493	1,590	73,782	19,800	122,665
Rent	16,350	845,251	3,233	37	-	864,871
Repairs and maintenance	566	21,527	91,234	2,599	-	115,926
Salaries and wages	120,615	1,426,276	1,023,076	286,613	233,838	3,090,418
Subscriptions	562	25,121	19,996	9,349	38,891	93,919
Supplies	836	91,924	117,558	4,849	807	215,974
Utilities	4,899	535,165	354,526	13,999	8,829	917,418
Travel and entertainment	-	17,774	14,761	14,854	2,215	49,604
	$ 157,531	$ 3,706,715	$ 2,526,920	$ 621,497	$ 818,266	$ 7,830,929

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ (99,517)	$ 1,275,020
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	271,165	295,375
Loss on disposal property and equipment	176,614	27,032
Noncash lease expense	27,916	(3,955)
(Increase) decrease in assets:		
Inventory	66,662	(10,682)
Other current assets	(47,363)	5,702
Property held for sale	-	12,955
Deposits	(11,165)	(7,827)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	167	290,254
Accrued payroll and related taxes	13,480	(35,596)
Sales tax payable	(420)	(1,950)
Deferred revenue – PPP grant	-	(698,945)
Net cash provided by operating activities	397,539	1,147,383
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	1,000	3,500
Purchases of property and equipment	(501,694)	(437,347)
Net cash used in investing activities	(500,694)	(433,847)

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change on line of credit	$ (211,566)	$ 304,158
Repayment of long-term debt and capital lease obligations	(240,431)	(256,479)
Net cash (used in) provided by financing activities	(451,997)	47,679
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS AND RESTRICTED CASH	(555,152)	761,215
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF YEAR	1,458,912	697,697
CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AT END OF YEAR	$ 903,760	$ 1,458,912
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 144,544	$ 97,418

See notes to the financial statements.

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 four 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 two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. Net assets without donor restriction includes contributed net assets that are not subject to donor-imposed stipulations. Net assets with donor restriction includes contributed net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions support. Contributions are generally available without donor restrictions during the year unless specifically restricted by the donor.

Grants and other contributions of cash and other assets are reported as net assets with donor restrictions 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, net assets with restrictions are reclassified to net assets without restrictions 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.

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.

Restricted Cash
The Organization acts as a custodian or fiscal agent for certain amounts in accounts payable and accrued expenses. The funds are deposited with an institution for safekeeping, to be used or withdrawn by the depositor at will.

Inventory
Inventory, consisting of vehicles held-for-sale and donated inventory in the thrift stores, 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 - 20 years
Vehicles	5 - 10 years
Buildings and improvements	5 - 40 years

Right-of-Use Assets and Lease Obligations
The Organization leases various buildings and equipment. The Organization determines if an arrangement is a lease at inception. Lease obligations are included in operating right-of-use (ROU) lease assets, current liabilities, and operating right-of-use obligations, net in the statement of financial positions. Financing obligations are included in financing right-of-use (ROU) lease assets, current liabilities, and financing right-of-use obligations, net in the statement of financial positions.

ROU lease assets represent the Organization's right to use an underlying asset for the lease term, and lease obligations represent the Organization's obligation to make lease payments arising from the lease.

Operating ROU assets and obligations are recognized at commencement date based on the present value of lease payments over the lease term. Financing leases are included in property and equipment, current portion of financing right-of-use obligations, and financing right-of-use obligations in the accompanying statements of financial position. The Organization uses their incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants. The Organization has lease agreements with lease and non-lease components, which are generally accounted for separately. For certain leases, the Organization accounts for the lease and non-lease components as a single lease component. For arrangements accounted for as a single lease component, there may be a variability in future lease payments as the amount of the non-lease components is typically revised from one period to the next. These variable lease payments, which primarily comprised of common area maintenance and taxes, are recognized in operating expenses in the period in which the obligation for those payments was incurred.

The Organization has elected to apply the short-term lease exemption to leases with an initial term of twelve months or less.

In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization has obtained substantially all of the rights to the underlying asset through exclusivity, if the Organization can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Accounts Receivable
Accounts receivable are stated at unpaid balances, less an allowance for credit losses. The allowance is based on experience and knowledge of current and future circumstances that may affect the ability of clients to meet their obligations. It is the Organization's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. At June 30, 2023 and 2022, the allowance for credit losses was $-0-. Accounts receivable is categorized in other current assets at June 30, 2023, totaling $51,456 ($30,751 at June 30, 2022).

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, 2023 and 2022, that it would be unable to substantiate. Under statute, the Organization is subject to IRS and state taxing authority review for tax years 2021 through 2022. The Organization has filed tax returns through 2022.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled $129,087 for the year ended June 30, 2023 ($141,650 for the year ended June 30, 2022).

Recent Accounting Pronouncements – Adopted

In February 2016, the FASB issued Accounting Standards Codification (ASC) 842, *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. Most prominent among those changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases.

The Organization adopted FASB ASC 842 effective July 1, 2022, and recognized and measured leases existing at, or entered into after, July 1, 2022 (the beginning of the period of adoption), through a cumulative effect adjustment, with certain practical expedients available. Lease disclosures for the year ended June 30, 2022, are made under the prior leases' guidance in FASB ASC 840, *Leases*.

The Organization elected the available practical expedients to account for existing capital leases and operating leases as finance leases and operating leases, respectively, under the new guidance, without reassessing (1) whether the contracts contain leases under the new standard, (2) whether classification of capital leases or operating leases would be different in accordance with new guidance or (3) whether the unamortized initial direct costs before transition adjustments would have met the definition of initial direct costs in the new guidance at lease commencement.

The most significant impact of adopting the new standard was the recognition of ROU assets and lease liabilities for operating assets on the statements of financial position. The adoption of FASB ASC 842 resulted in the recognition of operating lease ROU assets of $2,596,829 and operating lease liabilities of $2,684,219 as of July 1, 2022. Results for periods beginning prior to July 1, 2022, continue to be reported in accordance with historical accounting treatment. The adoption of FASB ASC 842 has a material impact on the statements of financial position but did not have a material impact on the statements of activities and changes in net assets or statement of cash flows. The most significant impact was the recognition of ROU assets and liabilities for operating leases.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through February 21, 2024.

2. EMPLOYEE RETENTION CREDIT RECEIVABLE

The Coronavirus Aid Relief, and Economic Security (CARES) Act provides an Employee Retention Credit (ERC), which is a refundable tax credit against certain employment taxes paid by the Organization. The Organization qualified for the tax credit from March 2020 through May 2020. The Organization recorded $233,544 related to the ERC in Grants in the accompanying 2023 statements of activities and changes in net assets.

3. PROPERTY AND EQUIPMENT

Additions or deletions to property and equipment at June 30, 2023, are summarized by major classifications as follows:

	June 30, 2022	2023 Additions	2023 Disposals	2023 Transfers	June 30, 2023
Furniture, fixtures and equipment	$ 1,610,263	$ 229,544	$ (271,875)	$ (39,984)	$ 1,527,948
Vehicles	176,475	77,512	(53,213)	-	200,774
Buildings and improvements	5,717,379	99,934	(474,721)	367,208	5,709,800
Land	260,603	-	-	-	260,603
	$ 7,764,720	$ 406,990	$ (799,809)	$ 327,224	7,699,125
Less accumulated depreciation					3,209,199
					$ 4,489,926

Additions or deletions to property and equipment at June 30, 2022, are summarized by major classifications as follows:

	June 30, 2021	2022 Additions	2022 Disposals	2022 Transfers	June 30, 2022
Furniture, fixtures and equipment	$ 1,712,134	$ 44,638	$ (146,509)	$ -	$ 1,610,263
Vehicles	399,766	6,500	(229,791)	-	176,475
Buildings and improvements	5,682,271	126,100	(90,992)	-	5,717,379
Land	241,057	30,000	(10,454)	-	260,603
	$ 8,035,228	$ 207,238	$ (477,746)	$ -	7,764,720
Less accumulated depreciation					3,561,773
					4,202,947
Construction in progress					234,064
					$ 4,437,011

Depreciation expense totaled $271,165 for the year ended June 30, 2023 ($295,375 for the year ended June 30, 2022).

4. LEASES

The Organization has operating and financing leases for various equipment and warehouses. The Organization leases have remaining lease terms of one to fourteen years, some of which may include options to extend the leases, and some of which may include options to terminate the leases.

Other information related to operating leases as of June 30, 2023, is as follows:

Operating lease cost	$ 527,522
Supplemental cash flows information:	
Operating cash flows from operating leases	$ 549,547
Right-of-use assets obtained in exchange for lease obligations	$ 2,248,246
Weighted average remaining lease term	7.08 years
Weighted average discount rate	2.84%

Future minimum leases payments under noncancelable leases as of June 30, 2023, were as follows for operating and financing leases:

2024	$ 584,733
2025	584,003
2026	572,981
2027	330,409
2028	127,148
Thereafter	233,933
Total future minimum lease payments	2,433,207
Less imputed interest	(157,045)
Total	$ 2,276,162

Not included in the amounts above are leases with an initial term of twelve months or less. For the year ended June 30, 2023, expense for such leases amounted to $294,985.

Total lease expense for all operating leases for the year ended June 30, 2022, amounted to $1,049,826.

5. REVOLVING LINE OF CREDIT

At June 30, 2023, the Organization had a $500,000 revolving line of credit with a financial institution ($500,000 at June 30, 2022). The revolving line of credit is unsecured and subject to renewal in July 2024. Interest on the revolving line of credit accrues at the bank's prime rate plus 2.40% over Index and is payable monthly. The actual rate charged was 10.35% and 6.85% at June 30, 2023 and 2022, respectively. At June 30, 2023, the balance outstanding under the revolving line of credit agreement was $194,510 ($406,076 as of June 30, 2022).

6. CAPITAL LEASE OBLIGATION

In 2021, the Organization entered into a capital lease obligation related to equipment with an original cost of $104,975 and an imputed interest rate of 1.169%. The Organization originally made a $16,800 down payment. Under the terms of the capital lease obligation, payments are due in monthly installments including interest through September 2025. The capital lease is collateralized by the equipment and is being amortized over its estimated productive life. The outstanding balance at June 30, 2022, was $57,860.

In 2021, the Organization entered into a capital lease obligation related to equipment with an original cost of $62,428 and an imputed interest rate of 14.98%. Under the terms of the capital lease obligation, payments are due in monthly installments including interest through November 2022. The capital lease is collateralized by the equipment and is being amortized over its estimated productive life. The outstanding balance at June 30, 2022, was $11,593.

7. LONG-TERM DEBT

Long-term debt at June 30, 2023 and 2022, consisted of the following:

	2023	2022
7.48% note payable – bank, due in monthly installments of $14,302, including interest, maturing with a balloon payment due in March 2028, uncollateralized	$ 1,514,251	$ -
4.25% note payable – bank, due in monthly installments of $9,818, including interest, maturing with a balloon payment due in March 2023, uncollateralized, refinanced in 2023	-	998,895
4.25% note payable – bank, due in monthly installments of $10,244, including interest, maturing with a balloon payment due in June 2023, uncollateralized, refinanced in 2023	-	633,000
2.75% note payable – bank, due in monthly installments of $2,136, including interest, maturing in March 2050, collateralized by all tangible and intangible property	500,000	500,000
5.00% note payable – bank, due in monthly installments of $13,333, including interest, maturing in December 2024, uncollateralized	13,333	66,667
	2,027,584	2,198,562
Less current portion	71,332	1,697,316
	$ 1,956,252	$ 501,246

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

2024	$ 71,332
2025	63,857
2026	79,865
2027	85,525
2028	1,265,193
Thereafter	461,812
	$ 2,027,584

8. RETIREMENT PLAN

The Organization sponsors a 401(k) plan for its full-time employees. Contributions made by the Organization are at the discretion of the Organization. During 2023, the Organization contributed $1,249 to the plan ($1,371 in 2022).

9. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable because they are either illiquid or not convertible to cash within one year; trust assets; assets held for others; or because the governing board has set aside the funds for a specific contingency reserve or a long-term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

	2023	2022
Financial assets, at year end*	$ 955,216	$ 1,489,663
Less assets unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions		
Restricted by purpose or time	(269,718)	(269,718)
Total financial assets unavailable for general expenditure within one year	(269,718)	(269,718)
Financial assets available to meet cash needs for general expenditures within one year	$ 685,498	$ 1,219,945

* Total assets, less nonfinancial assets (e.g., PP&E, inventory, prepaids, etc.)

As part of the Organization's liquidity management, it has a policy to structure its financial assets to become available as its general expenditures, liabilities and other obligations come due. The Organization also has access to a $500,000 line of credit with an interest rate of 10.35% at June 30, 2023 (6.85% at June 30 2022) and with outstanding balances of $194,510 and $406,076, at June 30, 2023 and 2022, respectively.

10. CONTRIBUTED NONFINANCIAL ASSETS

	2023	2022
Household goods and clothing	$ 4,671,788	$ 5,237,922
Vehicles	63,636	95,778
	$ 4,735,424	$ 5,333,700

Household goods and clothing
Contributed household goods and clothing were sold within the Organization’s thrift stores. 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. Proceeds from contributed household goods and clothing sold are valued according to the actual cash proceeds on their disposition. There were no associated donor restrictions.

Vehicles
It is the Organization’s policy to sell all contributed vehicles immediately upon receipt unless the vehicle is restricted for use to a specific program by the donor. No vehicles received during the periods were restricted for use. All vehicles were sold and valued according to the actual cash proceeds on their disposition.

11. COMMITMENTS AND CONTINGENCIES

From time to time, the Organization is subject to various lawsuits that arise in the ordinary course of its business. As of June 30, 2023, 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.