THE FOUNDRY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2018 AND 2017

Warren Averett
CPAs AND ADVISORS

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Warren Averett
CPAs AND ADVISORS

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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, 2018 and 2017, 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 audits 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, 2018 and 2017, 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 Averett, LLC

Birmingham, Alabama
December 18, 2018

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

ASSETS

	2018	2017
CURRENT ASSETS		
Cash and cash equivalents	$ 208,391	$ 385,151
Pledges receivable	30,210	810
Inventory	193,832	193,832
Other current assets	74,303	38,253
Total current assets	506,736	618,046
PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION	5,075,223	4,412,767
OTHER ASSETS		
Deposits	39,855	42,355
Total other assets	39,855	42,355
TOTAL ASSETS	$ 5,621,814	$ 5,073,168

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
CURRENT LIABILITIES		
Line of credit	$ 294,246	$ 231,772
Accounts payable	403,387	223,473
Accrued payroll and related taxes	18,406	11,307
Sales tax payable	38,014	27,117
Current portion of long-term debt and capital lease obligation	299,253	250,981
Total current liabilities	1,053,306	744,650
LONG-TERM DEBT	2,084,593	1,277,856
CAPITAL LEASE OBLIGATION	89,206	86,353
NET ASSETS		
Unrestricted	2,394,709	2,964,309
Total net assets	2,394,709	2,964,309
TOTAL LIABILITIES AND NET ASSETS	$ 5,621,814	$ 5,073,168

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Contributions	$ 1,132,662	$ -	$ 1,132,662
Grants	221,375	-	221,375
Auto center sales	435,794	-	435,794
Bargain center sales	4,398,685	-	4,398,685
Conferences, seminars, and banquets	469,502	-	469,502
Other income	6,449	-	6,449
Program income	1,216,400	-	1,216,400
Farm capital campaign	28,228	-	28,228
	7,909,095	-	7,909,095
Net assets released from restrictions	-	-	-
Total revenue and support	7,909,095	-	7,909,095
EXPENSES			
Auto center	282,178	-	282,178
Bargain center	3,218,951	-	3,218,951
Recovery program	3,855,458	-	3,855,458
Administrative expenses	331,467	-	331,467
Fund-raising expenses	663,206	-	663,206
Interest expense	127,435	-	127,435
Total expenses	8,478,695	-	8,478,695
DECREASE IN NET ASSETS	(569,600)	-	(569,600)
NET ASSETS AT BEGINNING OF YEAR	2,964,309	-	2,964,309
NET ASSETS AT END OF YEAR	$ 2,394,709	$ -	$ 2,394,709

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

	Unrestricted	Temporarily Restricted	Total
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	(2,684)	-	(2,684)
	7,174,525	-	7,174,525
Net assets released from restrictions	724,110	(724,110)	-
Total revenue and support	7,898,635	(724,110)	7,174,525
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	82,575	-	82,575
Total expenses	8,054,691	-	8,054,691
DECREASE IN NET ASSETS	(156,056)	(724,110)	(880,166)
NET ASSETS AT BEGINNING OF YEAR	3,120,365	724,110	3,844,475
NET ASSETS AT END OF YEAR	$ 2,964,309	$ -	$ 2,964,309

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Auto Center	Bargain Centers	Recovery Program	Administrative Expenses	Fund-Raising Expenses
Cost of goods sold	$ 43,373	$ 82,870	$ -	$ -	$ -
Advertising	15,380	38,112	56,696	1,850	1,021
Alarm	453	5,852	24,328	-	-
Auto expense	18,823	216,577	142,645	-	-
Bank charges	-	-	-	15,683	-
Subscriptions	2,691	10,975	25,071	3,500	11,093
Conferences	-	-	344	4,410	3,305
Contract labor	-	63,192	10,600	-	14,423
Copier	646	9,348	1,212	-	1,579
Credit card fees	2,333	1,602	55,905	-	9,700
Curriculum	-	-	15,834	-	-
Donations	-	-	56,250	-	-
Medical expense	-	-	60,343	-	-
Employee benefits	-	-	-	6,335	-
Equipment expense	1,586	35,738	14,566	-	-
Events	-	-	-	-	110,408
Groceries	-	-	528,309	-	-
Insurance expense	15,419	152,342	232,553	21,103	30,907
Gifts	-	170	422	35,585	500
Other	1,760	28,508	15,209	9,692	45,328
Salaries and wages	94,835	1,077,633	1,644,558	66,619	211,597
Printing and reproduction	470	4,451	1,677	85	125,339
Professional fees	-	29,865	100	135,846	55,849
Rent	42,000	780,571	150,440	-	-
Repairs and maintenance	2,576	23,976	53,722	-	-
Supplies	5,176	110,057	127,584	3,253	2,474
Utilities	23,929	407,305	481,594	7,246	11,826
Travel and entertainment	52	4,576	4,677	6,025	2,946
Depreciation	10,676	135,231	150,819	14,235	24,911
	$ 282,178	$ 3,218,951	$ 3,855,458	$ 331,467	$ 663,206

See notes to the financial statements.

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

	Auto Center	Bargain Centers	Recovery Program	Administrative Expenses	Fund-Raising Expenses
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
	$ 264,688	$ 2,271,952	$ 4,589,753	$ 295,294	$ 550,429

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (569,600)	$ (880,166)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	337,221	309,534
Loss on sale property and equipment	-	2,684
Donation of real property	-	720,000
Writeoff of loan costs	11,013	-
(Increase) decrease in assets:		
Pledges receivable	(29,400)	23,300
Other current assets	(36,050)	(6,805)
Deposits	2,500	(21,876)
Increase (decrease) in liabilities:		
Accounts payable	179,914	17,003
Accrued payroll and related taxes	7,099	(1,530)
Sales tax payable	10,897	564
Net cash provided by (used in) operating activities	(86,406)	162,708
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	1,800
Purchases of property and equipment	(926,893)	(317,691)
Purchase of loan costs	-	(13,486)
Net cash used in investing activities	(926,893)	(329,377)

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change on line of credit	$ 62,474	$ 82,041
Proceeds from borrowings	1,000,000	205,704
Repayment of long-term debt and capital lease obligations	(225,935)	(85,109)
Net cash provided by financing activities	836,539	202,636
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(176,760)	35,967
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	385,151	349,184
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 208,391	$ 385,151
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 115,073	$ 78,222
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Refinancing of long-term debt through additional long-term debt	$ 1,531,114	$ 1,348,727
Purchase of equipment through assumption of capital lease obligation	$ 71,435	$ 131,566

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 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.

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 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 - 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 $1,349 for the year ended June 30, 2018 ($4,353 for the year ended June 30, 2017).

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, 2018 and 2017, that it would be unable to substantiate. Under statute, the Organization is subject to IRS and state taxing authority review for tax years 2016 through 2017. The Organization has filed tax returns through 2017.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled $113,059 for the year ended June 30, 2018 ($83,835 for the year ended June 30, 2017).

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 December 18, 2018.

2. PLEDGES RECEIVABLE

Pledges receivable at June 30, 2018 and 2017, consist of the following:

	2018	2017
Receivable in less than one year	$ 30,210	$ 810
Total pledges receivable	30,210	810
Less allowance for uncollectible pledges receivable	-	-
	$ 30,210	$ 810

3. PROPERTY AND EQUIPMENT

Additions or deletions to property and equipment at June 30, 2018, are summarized by major classifications as follows:

	June 30, 2017	2018 Additions	2018 Disposals	2018 Transfers	June 30, 2018
Furniture, fixtures and equipment	$ 1,327,009	$ 223,638	$ -	$ -	$ 1,550,647
Vehicles	289,591	17,925	-	-	307,516
Buildings and improvements	4,796,394	756,765	-	254,783	5,807,942
Land	289,047	-	-	-	289,047
	$ 6,702,041	$ 998,328	$ -	$ 254,783	7,955,152
Less accumulated depreciation					2,879,929
					$ 5,075,223

3. PROPERTY AND EQUIPMENT – CONTINUED

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
					4,157,984
Construction-in-progress					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.

Depreciation expense totaled $335,872 for the year ended June 30, 2018 ($305,181 for the year ended June 30, 2017).

4. REVOLVING LINE OF CREDIT

At June 30, 2018, the Organization had a $350,000 revolving line of credit with a financial institution. The revolving line of credit is unsecured. The revolving line of credit is subject to renewal in January 2019. Interest on the revolving line of credit accrues at the bank's prime rate and is payable monthly. The actual rate charged was 5% and 4.75% at June 30, 2018 and 2017, respectively. At June 30, 2018, the balance outstanding under the revolving line-of-credit agreement was $294,246 ($231,772 as of June 30, 2017).

5. LONG-TERM DEBT

Long-term debt at June 30, 2018 and 2017, consisted of the following:

	2018	2017
4.25% note payable – bank, due in monthly installments of $9,818, including interest, maturing with a balloon payment due in December 2022, uncollateralized	$ 1,251,408	$ -
4.25% note payable – bank, due in monthly installments of $10,244, including interest, maturing with a balloon payment due in March 2023, uncollateralized	958,077	-
4.27% note payable – bank, due in monthly installments of $14,140, including interest, originally maturing with a balloon payment in February 2022, refinanced in 2018, collateralized by real estate	-	1,339,292
8% note payable – individual, due on demand plus monthly interest payments, uncollateralized	75,000	75,000
8% note payable – individual, due in monthly installments of $2,350, including interest, maturing in May 2020, uncollateralized	49,961	73,150
4.5% fixed rate note payable originally maturing in February 2022. The maximum amount of credit available under this agreement was $275,000. Interest payable monthly beginning July 2017. Principal was payable monthly beginning December 2017, and then monthly installments of $2,292, including interest. Refinanced in 2018, collateralized by real estate.	-	29,431
	2,334,446	1,516,873
Less current portion	249,853	226,655
	2,084,593	1,290,218
Less unamortized loan costs	-	12,362
	$ 2,084,593	$ 1,277,856

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:

2019	$ 249,853
2020	181,077
2021	163,000
2022	170,064
2023	1,570,452
	$ 2,334,446

6. CAPITAL LEASE OBLIGATION

In 2018, the Organization entered into a capital lease obligation related to equipment with an original cost of $11,900 and an imputed interest rate of 8.48%. Under the terms of the capital lease obligation, payments are due in monthly installments including interest through September 2020. The capital lease is collateralized by the equipment and is being amortized over its estimated productive life. The outstanding balance at June 30, 2018, was $9,256.

In 2018, the Organization entered into a capital lease obligation related to equipment with an original cost of $59,535 and an imputed interest rate of 7.725%. Under the terms of the capital lease obligation, payments are due in monthly installments including interest through August 2020. The capital lease is collateralized by the equipment and is being amortized over its estimated productive life. The outstanding balance at June 30, 2018, was $42,997.

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, 2018, was $86,353 ($110,679 at June 30, 2017).

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

	Principal	Interest
2019	$ 49,400	$ 8,467
2020	53,140	4,728
2021	33,486	1,345
2022	2,580	15
	$ 138,606	$ 14,555

7. 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 2018, the Organization contributed $3,242 to the plan ($3,881 in 2017).

8. COMMITMENTS AND CONTINGENCIES

Total lease expense for all operating leases for the year ended June 30, 2018, amounted to $1,159,695 ($875,330 for the year ended June 30, 2017).

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 and in the aggregate are as follows:

2019	$ 821,528
2020	810,992
2021	821,446
2022	589,931
2023	55,268
	$ 3,099,165

From time to time, the Organization is subjected to various lawsuits that arise in the ordinary course of its business. As of June 30, 2018, 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.

9. SUBSEQUENT EVENT

In July 2018, the Organization completed the sale of the real property assets of their Pell City location. The Organization sold the assets for $165,000. At June 30, 2018, the net book value of the assets was approximately $172,000.