THE FOUNDRY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2020 AND 2019

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) (the "Organization"), which comprise the statements of financial position as of June 30, 2020 and 2019, 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, 2020 and 2019, 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.

Operating Results

The accompanying financial statements have been prepared assuming that the Organization will continue its operations in subsequent years. As discussed in Note 11 to the financial statements, the Organization has suffered recurring losses from operations and has current liabilities that exceed its current assets. These recent operating results have caused management to develop plans to improve the Organization's financial condition and results of operations. Management's evaluation of the events and conditions and management's plans regarding those matters are described in Note 11.

Warren Averett, LLC

Birmingham, Alabama
November 11, 2020

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	$ 398,037	$ 208,457
Inventory	241,887	227,004
Other current assets	111,839	92,890
Total current assets	751,763	528,351
PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION	4,475,066	4,672,920
OTHER ASSETS		
Deposits	38,055	39,855
Total other assets	38,055	39,855
TOTAL ASSETS	$ 5,264,884	$ 5,241,126

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2020 AND 2019

LIABILITIES AND NET ASSETS

	2020	2019
CURRENT LIABILITIES		
Line of credit	$ 116,976	$ 350,000
Accounts payable and accrued expenses	398,984	471,072
Accrued payroll and related taxes	55,987	21,240
Sales tax payable	29,108	37,856
Deferred revenue - PPP grant	650,000	-
Current portion of long-term debt and capital lease obligation	348,156	323,102
Total current liabilities	1,599,211	1,203,270
LONG-TERM DEBT	2,389,392	1,903,476
CAPITAL LEASE OBLIGATION	30,221	83,560
NET ASSETS		
Without donor restrictions	1,240,500	2,050,820
With donor restrictions	5,560	-
Total net assets	1,246,060	2,050,820
TOTAL LIABILITIES AND NET ASSETS	$ 5,264,884	$ 5,241,126

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 1,241,377	$ 5,560	$ 1,246,937
Grants	544,836	-	544,836
Auto center sales	340,930	-	340,930
Bargain center sales	4,117,997	-	4,117,997
Conferences, seminars, and banquets	325,987	-	325,987
Other income	44,375	-	44,375
Program income	682,834	-	682,834
Gain on sale of property and equipment	11,836	-	11,836
	7,310,172	5,560	7,315,732
Net assets released from restrictions	-	-	-
Total revenue and support	7,310,172	5,560	7,315,732
EXPENSES			
Auto center	359,782	-	359,782
Bargain center	3,584,355	-	3,584,355
Recovery program	3,046,573	-	3,046,573
Administrative expenses	413,672	-	413,672
Fund-raising expenses	716,110	-	716,110
Total expenses	8,120,492	-	8,120,492
INCREASE (DECREASE) IN NET ASSETS	(810,320)	5,560	(804,760)
NET ASSETS AT BEGINNING OF YEAR	2,050,820	-	2,050,820
NET ASSETS AT END OF YEAR	$ 1,240,500	$ 5,560	$ 1,246,060

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions	$ 1,135,812	$ -	$ 1,135,812
Grants	199,863	-	199,863
Auto center sales	348,858	-	348,858
Bargain center sales	5,096,136	-	5,096,136
Conferences, seminars, and banquets	410,913	-	410,913
Other income	40,263	-	40,263
Program income	1,021,732	-	1,021,732
Loss on sale of property and equipment	(26,872)	-	(26,872)
	8,226,705	-	8,226,705
Net assets released from restrictions	-	-	-
Total revenue and support	8,226,705	-	8,226,705
EXPENSES			
Auto center	286,347	-	286,347
Bargain center	3,693,727	-	3,693,727
Recovery program	3,598,463	-	3,598,463
Administrative expenses	336,724	-	336,724
Fund-raising expenses	655,333	-	655,333
Total expenses	8,570,594	-	8,570,594
DECREASE IN NET ASSETS	(343,889)	-	(343,889)
NET ASSETS AT BEGINNING OF YEAR	2,394,709	-	2,394,709
NET ASSETS AT END OF YEAR	$ 2,050,820	$ -	$ 2,050,820

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Auto Center	Bargain Centers	Recovery Program	Administrative Expenses	Fund-Raising Expenses
Cost of goods sold	$ 44,106	$ 14,199	$ -	$ -	$ -
Advertising	25,456	33,896	8,449	109	42,059
Alarm	631	7,756	24,322	194	339
Auto expense	29,393	201,092	88,678	4,478	-
Bank charges	3	-	1,048	21,647	2
Subscriptions	(2,063)	24,137	25,735	5,511	23,359
Conferences	-	38	-	1,095	1,179
Contract labor	14	6,696	9,465	6,017	26,390
Copier	641	15,710	8,712	(573)	2,003
Credit card fees	2,367	68,264	703	5,006	9,117
Curriculum	-	-	15,373	-	-
Donations	-	-	-	15,000	-
Interest	421	57,457	37,625	30,700	859
Medical expense	-	138	20,974	856	-
Employee benefits	-	-	-	6,189	-
Equipment expense	419	18,564	10,516	-	-
Events	-	385	577	4,014	75,965
Groceries	-	-	408,901	-	118
Insurance expense	11,560	150,204	232,689	31,231	19,314
Gifts	-	909	800	6,511	372
Other	2,002	34,778	21,406	6,012	43,628
Salaries and wages	155,876	1,358,413	1,439,409	129,188	304,127
Printing and reproduction	420	7,802	447	137	96,238
Professional fees	-	27,161	1,133	84,375	26,506
Rent	44,100	829,301	11,650	3,266	-
Repairs and maintenance	6,537	36,984	46,769	(329)	-
Supplies	7,020	104,845	73,962	9,207	6,722
Utilities	20,910	454,708	414,503	15,885	11,317
Travel and entertainment	11	4,841	2,119	14,668	3,259
Depreciation	9,958	126,077	140,608	13,278	23,237
	$ 359,782	$ 3,584,355	$ 3,046,573	$ 413,672	$ 716,110

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Auto Center	Bargain Centers	Recovery Program	Administrative Expenses	Fund-Raising Expenses
Cost of goods sold	$ 40,122	$ 99,423	$ 148	$ -	$ -
Advertising	12,254	43,372	22,380	2,318	6,835
Alarm	833	8,908	25,883	292	512
Auto expense	24,298	224,751	120,955	606	-
Bank charges	73	38	333	23,700	-
Subscriptions	4,132	20,934	33,282	3,918	13,738
Conferences	-	34	6	1,944	1,996
Contract labor	-	54,874	12,150	-	22,764
Copier	426	11,739	3,992	290	837
Credit card fees	2,057	70,710	20	854	8,051
Curriculum	-	-	22,369	163	-
Donations	-	-	-	37,500	-
Interest	367	66,027	47,151	13,627	754
Medical expense	-	25	11,957	1,297	-
Employee benefits	-	-	-	7,003	-
Equipment expense	802	38,215	13,746	390	150
Events	-	-	-	-	114,149
Groceries	324	453	513,516	500	41
Insurance expense	15,379	148,645	193,172	24,385	29,357
Gifts	112	545	3,566	22,546	2,003
Other	2,842	40,849	18,777	7,696	48,912
Salaries and wages	100,250	1,269,291	1,603,997	49,133	233,916
Printing and reproduction	362	4,822	2,055	313	96,190
Professional fees	42	23,675	6,349	97,185	32,400
Rent	42,000	816,491	131,790	-	-
Repairs and maintenance	2,949	64,111	78,706	(41)	669
Supplies	3,809	111,074	103,587	384	4,895
Utilities	22,320	438,307	473,673	17,675	11,020
Travel and entertainment	16	2,422	5,466	8,941	1,461
Depreciation	10,578	133,992	149,437	14,105	24,683
	$ 286,347	$ 3,693,727	$ 3,598,463	$ 336,724	$ 655,333

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (804,760)	$ (343,889)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:		
Depreciation	313,158	332,795
Loss (gain) on sale property and equipment	(11,836)	26,872
(Increase) decrease in assets:		
Pledges receivable	-	30,210
Inventory	(14,883)	(33,172)
Other current assets	(18,949)	(18,587)
Deposits	1,800	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(72,088)	67,685
Accrued payroll and related taxes	34,747	2,834
Sales tax payable	(8,748)	(158)
Deferred revenue - PPP grant	650,000	-
Net cash provided by operating activities	68,441	64,590
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	11,836	155,282
Purchases of property and equipment	(115,304)	(38,318)
Net cash provided by (used in) investing activities	(103,468)	116,964

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2020 AND 2019

	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change on line of credit	$ (233,024)	$ 55,754
Proceeds from borrowings	700,000	-
Repayment of long-term debt and capital lease obligations	(242,369)	(237,242)
Net cash provided by (used in) financing activities	224,607	(181,488)
INCREASE IN CASH AND CASH EQUIVALENTS	189,580	66
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	208,457	208,391
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 398,037	$ 208,457
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 116,923	$ 120,934
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Purchase of equipment through assumption of capital lease obligation and long-term debt	$ -	$ 74,328

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.

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounts Receivable

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Organization provides for losses on accounts receivable using the allowance method. The allowance is based on experience and knowledge of 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, 2020 and 2019, the allowance for doubtful accounts was $0. Accounts receivable is categorized in other current assets at June 30, 2020, totaling $95,388 ($78,824 at June 30, 2019).

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, 2020 and 2019, that it would be unable to substantiate. Under statute, the Organization is subject to IRS and state taxing authority review for tax years 2018 through 2019. The Organization has filed tax returns through 2019.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled $109,969 for the year ended June 30, 2020 ($87,159 for the year ended June 30, 2019).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Standards – Adopted

The FASB issued Accounting Standards Update (ASU) No. 2018-08, Not-for-Profit Entities (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, in June 2018. This ASU is intended to assist organizations in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance and (2) determining whether a contribution is conditional. The ASU clarifies that a contribution is conditional if the agreement includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right of return for the transferred assets or a right of release of the promisor's obligation to transfer assets. The ASU became effective for the year ended June 30, 2020, and was adopted on a modified prospective basis. The Organization has elected the simultaneous release policy for contributions and grants available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restriction if the restriction is met in the same period that the revenue is recognized. As such, the timing, amount, and presentation of revenue from contributions and grants has not materially changed as a result of adopting the provisions of ASU 2018-08.

Recent Accounting Pronouncements

In May 2014, the FASB issued 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. The amendments in this update are effective for 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, 2021. The Organization is currently evaluating the effect that the provisions of ASU No. 2016-02 will have on the Organization's financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events
Management has evaluated subsequent events and their potential effects on these financial statements through November 11, 2020.

2. PROPERTY AND EQUIPMENT

Additions or deletions to property and equipment at June 30, 2020, are summarized by major classifications as follows:

	June 30, 2019	2020 Additions	2020 Disposals	2020 Transfers	June 30, 2020
Furniture, fixtures, and equipment	$ 1,645,574	$ 35,054	$ -	$ -	$ 1,680,628
Vehicles	307,516	80,250	-	-	387,766
Buildings and improvements	5,678,771	-	-	-	5,678,771
Land	241,057	-	-	-	241,057
	$ 7,872,918	$ 115,304	$ -	$ -	7,988,222
Less accumulated depreciation					3,513,156
					$ 4,475,066

2. PROPERTY AND EQUIPMENT – CONTINUED

Additions or deletions to property and equipment at June 30, 2019, are summarized by major classifications as follows:

	June 30, 2018	2019 Additions	2019 Disposals	2019 Transfers	June 30, 2019
Furniture, fixtures, and equipment	$ 1,550,647	$ 97,982	$ (3,055)	$ -	$ 1,645,574
Vehicles	307,516	-	-	-	307,516
Buildings and improvements	5,807,942	14,664	(143,835)	-	5,678,771
Land	289,047	-	(47,990)	-	241,057
	$ 7,955,152	$ 112,646	$ (194,880)	$ -	7,872,918
Less accumulated depreciation					3,199,998
					$ 4,672,920

Depreciation expense totaled $313,158 for the year ended June 30, 2020 ($332,795 for the year ended June 30, 2019).

3. REVOLVING LINE OF CREDIT

At June 30, 2020, the Organization had a $500,000 revolving line of credit with a financial institution ($350,000 at June 30, 2019). The revolving line of credit is unsecured. The revolving line of credit is subject to renewal in May 2021. Interest on the revolving line of credit accrues at the bank's prime rate and is payable monthly. The actual rate charged was 5.35% and 6.00% at June 30, 2020 and 2019, respectively. At June 30, 2020, the balance outstanding under the revolving line-of-credit agreement was $116,976 ($350,000 as of June 30, 2019).

4. LONG-TERM DEBT

Long-term debt at June 30, 2020 and 2019, consisted of the following:

	2020	2019
4.25% note payable – bank, due in monthly installments of $9,818, including interest, maturing with a balloon payment due in March 2023, uncollateralized	$ 1,129,858	$ 1,185,455
4.25% note payable – bank, due in monthly installments of $10,244, including interest, maturing with a balloon payment due in June 2023, uncollateralized	804,517	874,250
8% note payable – individual, due on demand plus monthly interest payments, uncollateralized	75,000	75,000
2.75% note payable – bank, due in monthly installments of $2,136, including interest, maturing on March 2050, collateralized by all tangible and intangible property	500,000	-
5% note payable – bank, due in monthly installments of $13,333, including interest, maturing on December 2024, uncollateralized	173,333	-
8% note payable – individual, due in monthly installments of $2,350, including interest, repaid in 2020	-	21,423
	2,682,708	2,156,128
Less current portion	293,316	252,652
	$ 2,389,392	$ 1,903,476

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

2021	$ 293,316
2022	228,421
2023	235,822
2024	1,464,416
2025	13,126
Thereafter	447,607
	$ 2,682,708

5. CAPITAL LEASE OBLIGATION

In 2019, the Organization entered into a capital lease obligation related to equipment with an original cost of $11,900 and an imputed interest rate of 7.38%. Under the terms of the capital lease obligation, payments are due in monthly installments including interest through December 2021. The capital lease is collateralized by the equipment and is being amortized over its estimated productive life. The outstanding balance at June 30, 2020, was $5,619 ($9,917 at June 30, 2019).

In 2019, 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, 2020, was $44,367 ($55,341 at June 30, 2019).

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, 2020, was $992 ($5,289 at June 30, 2019).

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, 2020, was $1,654 ($23,153 at June 30, 2019).

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 June 2021. The capital lease is collateralized by the equipment and is being amortized over its estimated productive life. The outstanding balance at June 30, 2020, was $32,429 ($60,310 at June 30, 2019).

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

	Principal	Interest
2021	$ 54,840	$ 6,943
2022	19,622	2,809
2023	10,599	317
	$ 85,061	$ 10,069

6. 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 2020, the Organization contributed $2,757 to the plan ($3,115 in 2019).

7. COMMITMENTS AND CONTINGENCIES

Total lease expense for all operating leases for the year ended June 30, 2020, amounted to $1,098,802 ($1,193,050 for the year ended June 30, 2019).

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

2021	$ 889,186
2022	642,731
2023	74,788
2024	3,720
	$ 1,610,425

From time to time, the Organization is subjected to various lawsuits that arise in the ordinary course of its business. As of June 30, 2020, 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.

8. NET ASSETS

Net assets with donor restrictions are restricted for use by the Organization for the following purpose at June 30, 2020 and 2019:

	2020	2019
Other support	$ 5,560	$ -

9. CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT)

As a result of the spread of the coronavirus disease virus (COVID-19), organizations and businesses across the country took unprecedented action to protect the health and safety of its employees, staff, and customers. Beginning in March 2020, the Organization announced that thrift store operations were being suspended and all employees would still be employed. Safeguards recommended by the Centers for Disease Control and Prevention (CDC) and other governmental agencies have been put in place across each thrift store and corporate office. With these safeguards and provisions, beginning in June 2020, the operations of the thrift stores began. Despite these efforts, given the uncertainty in the epidemiological and economical outlook, there may be short- and long-term implications for the operations. The duration of these uncertainties and the ultimate effects cannot be reasonably estimated at this time.

The Organization received a Paycheck Protection Program (PPP) loan of $650,000 granted by the Small Business Administration. The Organization has elected to account for the PPP loan as a conditional contribution in accordance with the guidance provided by FASB ASC Topic 958 Section 605. Under this guidance a conditional contribution includes one or more barriers that must be overcome for the recipient to be entitled to the assets transferred and a right-of-return of the asset if a barrier to entitlement is not met. At June 30, 2020, the Organization had not yet applied for and received loan forgiveness and therefore believes the barriers have not been overcome at that date; therefore, the PPP funding received is recorded as deferred revenue on the statements of financial position. However, the Organization believes that all barriers will be overcome subsequent to year-end, resulting in substantially all of the loan being forgiven in the year ended June 30, 2021.

The Organization applied and was approved for a three-month deferment on two financial institution loans in fiscal year 2020. These deferments extended one loan from December 2022 to March 2023 and another loan from March 2023 to June 2023.

10. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2020 and 2019, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when 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 board approves that action.

	2020	2019
Financial assets, at year end*	$ 493,425	$ 287,281
Less: Assets unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions		
Restricted by purpose or time	(5,560)	-
Total financial assets unavailable for general expenditure within one year	(5,560)	-
Financial assets available to meet cash needs for general expenditures within one year	$ 487,865	$ 287,281

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

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Organization has access to a $500,000 line of credit with an interest rate of 5.35%. As of June 30, 2020 and 2019, there was an outstanding balance of $116,976 and $350,000, respectively.

11. OPERATING RESULTS

The Organization has reported losses of $804,760, $343,889, and $569,600 in 2020, 2019, and 2018, respectively. The Organization's current liabilities exceed its current assets by approximately $848,000 at June 30, 2020. These factors, and the material uncertainty regarding the coronavirus disease, create an uncertainty about the Organization's ability to continue as a going concern for the year following the date the financial statements are available to be issued. The losses in 2020 were due to several factors mainly with the closing of the thrift stores for several months during the pandemic and not being able to host fundraisers at the normal time of the year. Management of the Organization has evaluated these conditions and believes it has made plans to improve its financial position with the following measures:

- The Organization has implemented cost saving efforts to reduce certain variable costs such as supplies, paper products, and some utilities.

11. OPERATING RESULTS – CONTINUED

- The Organization has reduced staff costs and eliminated some positions.

- The Organization has implemented new measures to begin virtual fundraisers in place of face-to-face fundraisers, in lieu of the coronavirus pandemic, again in fiscal year 2021.

The ability of the Organization to continue in operation and meet its obligations as they become due is dependent on improving market conditions and management's ability to successfully implement their plans.