THE FOUNDRY MINISTRIES, INC.

FINANCIAL STATEMENTS

JUNE 30, 2022 AND 2021

Warren Averett
CPAs AND ADVISORS
www.warrenaverett.com

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

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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.

Opinion
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, 2022 and 2021, 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, 2022, and 2021, 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
September 7, 2022

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

ASSETS

	2022	2021
CURRENT ASSETS		
Cash and cash equivalents	$ 1,189,194	$ 697,697
Restricted cash	269,718	-
Inventory	305,975	295,293
Other current assets	44,656	50,358
Property held for sale	-	9,000
Total current assets	1,809,543	1,052,348
PROPERTY AND EQUIPMENT, AT COST, NET OF ACCUMULATED DEPRECIATION	4,437,011	4,325,571
OTHER ASSETS		
Deposits	45,882	38,055
Total other assets	45,882	38,055
TOTAL ASSETS	$ 6,292,436	$ 5,415,974

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

LIABILITIES AND NET ASSETS

	2022	2021
CURRENT LIABILITIES		
Line of credit	$ 406,076	$ 101,918
Accounts payable and accrued expenses	526,330	236,076
Accrued payroll and related taxes	17,732	53,328
Sales tax payable	35,430	37,380
Deferred revenue – PPP Grant	-	698,945
Current portion of long-term debt and capital lease obligation	1,726,479	272,642
Total current liabilities	2,712,047	1,400,289
LONG-TERM DEBT	501,246	2,182,907
CAPITAL LEASE OBLIGATION	40,290	68,945
NET ASSETS		
Without donor restrictions	3,038,853	1,763,833
Total net assets	3,038,853	1,763,833
TOTAL LIABILITIES AND NET ASSETS	$ 6,292,436	$ 5,415,974

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)
	9,105,949	-	9,105,949
Net assets released from restrictions	-	-	-
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
Fund-raising 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 ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE AND SUPPORT			
Contributions of cash and other financial assets	$ 1,179,363	$ -	$ 1,179,363
Contributions of nonfinancial assets	9,000	-	9,000
Grants	356,181	-	356,181
PPP Grant	650,000	-	650,000
Auto center sales	347,300	-	347,300
Bargain center sales	4,586,742	-	4,586,742
Conferences, seminars, and banquets	332,016	-	332,016
Other income	26,942	-	26,942
Program income	531,285	-	531,285
Gain on sale of property and equipment	5,667	-	5,667
	8,024,496	-	8,024,496
Net assets released from restrictions	5,560	(5,560)	-
Total revenue and support	8,030,056	(5,560)	8,024,496
EXPENSES			
Auto center	313,236	-	313,236
Bargain centers	3,557,693	-	3,557,693
Recovery program	2,425,078	-	2,425,078
Administrative expenses	503,631	-	503,631
Fund-raising expenses	707,085	-	707,085
Total expenses	7,506,723	-	7,506,723
INCREASE (DECREASE) IN NET ASSETS	523,333	(5,560)	517,773
NET ASSETS AT BEGINNING OF YEAR	1,240,500	5,560	1,246,060
NET ASSETS AT END OF YEAR	$ 1,763,833	$ -	$ 1,763,833

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

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Auto Center	Bargain Centers	Recovery Program	Administrative Expenses	Fund-Raising Expenses
Cost of goods sold	$ 50,535	$ (34,285)	$ -	$ -	$ -
Advertising	802	7,023	3,433	-	96,583
Alarm	584	3,808	24,283	-	-
Auto expense	26,182	194,795	50,644	6,217	-
Bank charges	-	721	421	21,586	-
Subscriptions	2,410	36,356	44,846	7,015	33,928
Conferences	-	-	554	-	1,636
Contract labor	-	1,033	911	4,966	21,515
Copier	(17)	6,776	278	(17,906)	505
Credit card fees	2,832	63,714	3,485	2,435	12,899
Curriculum	-	-	13,208	-	-
Donations	-	-	-	24,000	-
Interest	306	32,593	44,306	48,760	612
Employee benefits	-	-	-	2,058	-
Equipment expense	-	25,296	13,068	-	60
Events	-	-	141	137	91,743
Groceries	-	433	322,277	21	-
Insurance expense	10,868	175,457	169,850	36,043	25,437
Gifts	-	7	1,527	12,299	317
Other	1,908	7,085	25,155	8,420	27,442
Salaries and wages	139,277	1,423,106	1,007,879	185,838	249,148
Printing and reproduction	45	1,914	5,632	479	76,824
Professional fees	28	23,973	2,258	115,752	30,616
Rent	45,600	817,941	12,000	-	-
Repairs and maintenance	842	37,708	78,020	502	-
Supplies	3,977	82,413	80,574	8,448	313
Utilities	17,322	524,737	374,943	15,425	13,739
Travel and entertainment	-	1,837	7,929	8,156	1,052
Depreciation	9,735	123,252	137,456	12,980	22,716
	$ 313,236	$ 3,557,693	$ 2,425,078	$ 503,631	$ 707,085

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	$ 1,275,020	$ 517,773
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	295,375	306,139
Loss (gain) on disposal property and equipment	30,987	(5,667)
Gain on sale of property held for sale	(3,955)	-
(Increase) decrease in assets:		
Inventory	(10,682)	(53,406)
Other current assets	5,702	61,481
Property held for sale	12,955	(9,000)
Deposits	(7,827)	-
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	290,254	(162,908)
Accrued payroll and related taxes	(35,596)	(2,659)
Sales tax payable	(1,950)	8,272
Deferred revenue – PPP Grant	(698,945)	48,945
Net cash provided by operating activities	1,151,338	708,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	3,500	-
Purchases of property and equipment	(441,302)	(90,397)
Net cash used in investing activities	(437,802)	(90,397)

See notes to the financial statements.

THE FOUNDRY MINISTRIES, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Net change on line of credit	$ 304,158	$ (15,058)
Repayment of long-term debt and capital lease obligations	(256,479)	(303,855)
Net cash provided by (used in) financing activities	47,679	(318,913)
INCREASE IN CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH	761,215	299,660
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AT BEGINNING OF YEAR	697,697	398,037
CASH AND CASH EQUIVALENTS, AND RESTRICTED CASH AT END OF YEAR	$ 1,458,912	$ 697,697
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 97,418	$ 136,581
SCHEDULE OF NONCASH INVESTING AND FINANCING TRANSACTIONS		
Purchase of equipment through assumption of capital lease obligation and long-term debt	$ -	$ 88,175
Loan forgiveness of capital lease obligation	$ -	$ 27,595

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.

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

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, 2022 and 2021, the allowance for doubtful accounts was $0. Accounts receivable is categorized in other current assets at June 30, 2022, totaling $30,751 ($34,850 at June 30, 2021).

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, 2022 and 2021, that it would be unable to substantiate. Under statute, the Organization is subject to IRS and state taxing authority review for tax years 2020 through 2021. The Organization has filed tax returns through 2021.

Advertising

Advertising costs are expensed as incurred. Advertising expenses totaled $141,650 for the year ended June 30, 2022 ($107,841 for the year ended June 30, 2021).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Recent Accounting Pronouncements – Adopted

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, increasing the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The standard did not have a significant impact to the Organization's financial statements and was retroactively applied to the 2021 financial statements.

Recent Accounting Pronouncements – Yet to be Adopted

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.

Subsequent Events

Management has evaluated subsequent events and their potential effects on these financial statements through September 7, 2022.

2. PROPERTY AND EQUIPMENT

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

2. PROPERTY AND EQUIPMENT – CONTINUED

Additions or deletions to property and equipment at June 30, 2021, are summarized by major classifications as follows:

	June 30, 2020	2021 Additions	2021 Disposals	2021 Transfers	June 30, 2021
Furniture, fixtures and equipment	$1,680,628	$163,072	$(131,566)	$ -	$1,712,134
Vehicles	387,766	12,000	-	-	399,766
Buildings and improvements	5,678,771	3,500	-	-	5,682,271
Land	241,057	-	-	-	241,057
	$7,988,222	$178,572	$(131,566)	$ -	8,035,228
Less accumulated depreciation					3,709,657
					$4,325,571

Depreciation expense totaled $295,375 for the year ended June 30, 2022 ($306,139 for the year ended June 30, 2021). Construction-in-progress consists of the Organization's renovations to various buildings. The estimated costs to complete the project is approximately $97,000.

3. REVOLVING LINE OF CREDIT

At June 30, 2022, the Organization had a $500,000 revolving line of credit with a financial institution ($500,000 at June 30, 2021). The revolving line of credit is unsecured. The revolving line of credit is subject to renewal in July 2023. Interest on the revolving line of credit accrues at the bank's prime rate and is payable monthly. The actual rate charged was 6.85% and 5.35% at June 30, 2022 and 2021, respectively. At June 30, 2022, the balance outstanding under the revolving line-of-credit agreement was $406,076 ($101,918 as of June 30, 2021).

4. LONG-TERM DEBT

Long-term debt at June 30, 2022 and 2021, consisted of the following:

	2022	2021
4.25% note payable – bank, due in monthly installments of $9,818, including interest, maturing with a balloon payment due in March 2023, uncollateralized	$ 998,895	$ 1,071,949
4.25% note payable – bank, due in monthly installments of $10,244, including interest, maturing with a balloon payment due in June 2023, uncollateralized	633,000	726,443
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	66,667	120,000
	2,198,562	2,418,392
Less current portion	1,697,316	235,485
	$ 501,246	$ 2,182,907

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

2023	$ 1,697,316
2024	25,759
2025	12,771
2026	13,126
2027	13,492
Thereafter	436,098
	$ 2,198,562

5. 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 ($75,226 at June 30, 2021).

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, 2022, was $0 ($1,653 at June 30, 2021).

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, 2022, was $11,593 ($29,223 at June 30, 2021).

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 was no outstanding balance at June 30, 2022 and 2021. At June 30, 2021, the Organization had debt forgiven by the financial institution of $27,595 and recognized a loss of $21,928 on disposal of the asset for a total gain of $5,667 recognized on the statement of activities.

Debt is collateralized by assets with a net book value of approximately $89,727 and $139,874 at June 30, 2022 and 2021, respectively.

5. CAPITAL LEASE OBLIGATION – CONTINUED

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

	Principal	Interest
2023	$ 29,163	$ 1,169
2024	17,776	376
2025	17,985	167
2026	4,529	9
	$ 69,453	$ 1,721

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 2022, the Organization contributed $1,371 to the plan ($2,058 in 2021).

7. COMMITMENTS AND CONTINGENCIES

Total lease expense for all operating leases for the year ended June 30, 2022, amounted to $1,049,826 ($1,050,411 for the year ended June 30, 2021).

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 five years and thereafter are as follows:

2023	$ 738,641
2024	611,255
2025	610,870
2026	613,852
2027	366,309
Thereafter	229,845
	$ 3,170,772

From time to time, the Organization is subjected to various lawsuits that arise in the ordinary course of its business. As of June 30, 2022, 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. CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT (CARES ACT)

As a result of the spread of the coronavirus disease (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 remain 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 in place, beginning in June 2020, the operations of the thrift stores began again. Despite these efforts, and given the uncertainty of the epidemiological and economic 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.

In February 2021, the Organization received a Paycheck Protection Program (PPP) loan of $698,945 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. During the fiscal year ended June 30, 2022, the Organization overcame all barriers resulting in the loan being forgiven and revenue of $698,945 being recognized in the statement of activities for the year then ended. At June 30, 2021, the Organization believed it had not substantially met the conditions of the grant and therefore had recorded it as a deferred revenue on the statement of financial position at that time.

In April 2020, the Organization received a PPP loan of $650,000 granted by the Small Business Administration. The Organization elected to account for the PPP loan as a conditional contribution in accordance with the guidance provided by FASB ASC Topic 958 Section 605. During the fiscal year ended June 30, 2021, the Organization overcame all barriers resulting in the loan being forgiven and revenue of $650,000 being recognized in the statement of activities for the year then ended. At June 30, 2020, the Organization believed it had not substantially met the conditions of the grant and therefore had recorded it as a deferred revenue on the statement of financial position at that time.

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.

9. LIQUIDITY AND FUNDS AVAILABLE

The following table reflects the Organization's financial assets as of June 30, 2022 and 2021, 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.

	2022	2021
Financial assets, at year end*	$ 1,489,663	$ 732,547
Less: Assets unavailable for general expenditures within one year:		
Contractual or donor-imposed restrictions		
Restricted by purpose or time	(269,718)	-
Total financial assets unavailable for general expenditure within one year	(269,718)	-
Financial assets available to meet cash needs for general expenditures within one year	$ 1,219,945	$ 732,547

* 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 6.85% at June 30, 2022 (5.35% at June 30 2021) and with outstanding balances of $406,076 and $101,918, at June 30, 2022 and 2021, respectively.

10. CONTRIBUTED NONFINANCIAL ASSETS

	2022	2021
Household goods and clothing	$ 5,237,922	$ 4,586,742
Vehicles	95,778	347,300
Land	-	9,000
	$ 5,333,700	$ 4,943,042

10. CONTRIBUTED NONFINANCIAL ASSETS – CONTINUED

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.

Land: It is the Organization's policy to record land at its fair value (appraised value) at the time of contribution. No land received during the periods were restricted for use.