MIRACLE HILL MINISTRIES, INC.

CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020

(With Independent Auditors' Report Thereon)

MIRACLE HILL MINISTRIES, INC.
June 30, 2020

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Miracle Hill
MINISTRIES

P. O. Box 2546 • Greenville, SC 29602
864.268.4357 | miraclehill.org

August 16, 2020

Management Responsibility

We are pleased to submit the annual Financial Report of Miracle Hill Ministries, Inc. for the fiscal year ended June 30, 2020. We are stewards of God's gifts from our donors and we take the responsibility of that stewardship very seriously. Management is responsible for the objectivity and integrity of the accompanying financial statements and notes, which have been prepared in conformance with accounting standards generally accepted in the United States of America, and include certain amounts that are based on management's best estimates and judgments.

Management is responsible for maintaining the Ministries' system of internal control that includes careful selection and development of staff, proper division of duties, and written policies and procedures. Although there are inherent limitations to the effectiveness of any system of accounting controls, management believes that the Ministries' system provides reasonable assurance that assets are safeguarded from unauthorized use or disposition and that the accounting records are sufficiently reliable to permit the preparation of financial statements that conform in all material respects with generally accepted accounting principles.

Our independent auditors, Martin Smith & Company, CPAs, provide an objective independent audit of the consolidated financial statement. Their resulting report of fiscal 2020 is included.

The Board of Directors, composed exclusively of independent, outside directors, meets annually with the independent auditors and through the audit committee meets regularly with the independent auditors to review accounting and internal control matters. Part of these meetings are conducted with no staff present. The audit committee also recommends to the Board the appointment of the independent auditors.

Respectfully submitted,

Ryan T. Duerk

Ryan Duerk
President/CEO

Richard Ingram
Chief Financial Officer

Laura Finley

Laura Finley
Accounting Manager

MARTIN·SMITH
& COMPANY CPAs

INDEPENDENT AUDITORS' REPORT

Board of Directors
Miracle Hill Ministries, Inc.

Report on the Financial Statements
We have audited the accompanying consolidated statement of financial position of Miracle Hill Ministries, Inc. ("the Ministries") and its subsidiary as of June 30, 2020 and the related consolidated statements of activities, cash flows and functional expenses for the year then ended.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated 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 the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Miracle Hill Ministries, Inc. and its subsidiary as of June 30, 2020, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Martin Smith and Company CPAs PA

August 16, 2020

Member: American Institute of Certified Public Accountants • South Carolina Association of Certified Public Accountants
1212 Haywood Road, Bldg. 100 • Greenville, South Carolina 29615 • (864) 232-1040

MIRACLE HILL MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
June 30, 2020

ASSETS

Cash and cash equivalents		$ 3,138,526
Receivables		496,506
Inventories		916,587
Prepaid expenses and other assets		155,131
Investments		1,291,767
Assets whose use is limited:		
Donor restricted cash and cash equivalents		1,362,242
Donor restricted investments		6,292,437
Donor restricted property		82,065
Property held for sale		8,000
Property and equipment, net		18,462,119
Total assets		$ 32,205,380

LIABILITIES AND NET ASSETS

Accounts payable		$ 658,151
Annuity liability		239,525
Accrued expenses		343,834
Capital lease obligations		16,868
Notes payable		8,272,907
Total liabilities		9,531,285
Net assets:		
Without donor restrictions		15,176,876
With donor restrictions:		
Restricted for endowment	$ 425,175	
Restricted for annuities	263,065	
Restricted for capital projects	1,362,242	
Restricted for permanent endowment	5,446,737	7,497,219
Total net assets		22,674,095
Total liabilities and net assets		$ 32,205,380

See accompanying notes to consolidated financial statements.

MIRACLE HILL MINISTRIES, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and support:			
Contributions and bequests	$ 6,706,534	$ 701,206	$ 7,407,740
Contractual funding	1,811,351	-	1,811,351
Room and board fees	429,968	-	429,968
Thrift store sales	7,678,781	-	7,678,781
In-kind contributions - thrift stores	7,384,163	-	7,384,163
Miscellaneous income	10,365	-	10,365
Investment income	170,368	10,477	180,845
Realized gain on sale of investments	241,632	27,795	269,427
Unrealized loss on investments	(97,646)	(5,224)	(102,870)
Net assets released from restrictions	1,576,792	(1,576,792)	-
	25,912,308	(842,538)	25,069,770
Employment and landscape services revenue	2,135,537	-	2,135,537
Total revenue and support	28,047,845	(842,538)	27,205,307
Expenses:			
Program services:			
Greenville Rescue Mission	985,404	-	985,404
Thrift Operations	13,906,201	-	13,906,201
Children's Home	1,618,764	-	1,618,764
Boys' Shelter	669,954	-	669,954
Homes for Life	115,029	-	115,029
Foster Care	1,267,104	-	1,267,104
Shepherd's Gate	641,658	-	641,658
Renewal	548,013	-	548,013
Overcomers	964,992	-	964,992
Rescue Mission - Cherokee Co.	351,223	-	351,223
Rescue Mission - Spartanburg	801,836	-	801,836
Total program services	21,870,178	-0-	21,870,178
Supporting services:			
General and administrative	2,238,957	-	2,238,957
Fundraising	1,233,174	-	1,233,174
Total supporting services	3,472,131	-0-	3,472,131
Employment and landscape services expenses	2,180,371	-	2,180,371
Total expenses	27,522,680	-0-	27,522,680
Changes in net assets	525,165	(842,538)	(317,373)
Net assets at beginning of year	14,651,711	8,339,757	22,991,468
Net assets at end of year	$ 15,176,876	$ 7,497,219	$ 22,674,095

See accompanying notes to consolidated financial statements.

MIRACLE HILL MINISTRIES, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2020

Cash flows from operating activities:	
Decrease in net assets	$ (317,373)
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	1,591,151
Noncash inventory contributions, net	(16,480)
Unrealized loss on investments	102,870
Actuarial adjustment of annuity liability	24,715
Contributions restricted for long-term investments and debt reduction	(220,897)
(Increase) decrease in assets:	
Accounts receivable	(90,780)
Prepaid expenses	73,281
Increase (decrease) in liabilities:	
Accounts payable	369,272
Accrued expenses	(405,666)
Net cash provided by operating activities	1,110,093
Cash flows from investing activities:	
Purchases of investments, net	194,693
Purchases of property and equipment	(1,302,315)
Net cash used in investing activities	(1,107,622)
Cash flows from financing activities:	
Contributions restricted for long-term investments and debt reduction	220,897
Proceeds from borrowings under notes payable	6,088,792
Proceeds from borrowings under capital lease obligations	29,471
Payments on notes payable	(4,292,166)
Payments on capital lease obligations	(12,603)
Payments on annuities payable	(37,420)
Net cash provided by financing activities	1,996,971
Net increase in cash and cash equivalents	1,999,442
Cash and cash equivalents at beginning of year	2,501,326
Cash and cash equivalents at end of year	$ 4,500,768
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	$ 205,526
Noncash investing and financing activities:	
None	

See accompanying notes to consolidated financial statements.

MIRACLE HILL MINISTRIES, INC.
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2020

	Program Services											Supporting Services			
	Greenville Rescue Mission	Thrift Operations	Children's Home	Boys' Shelter	Homes for Life	Foster Care	Shepherd's Gate	Renewal	Over-comers	Rescue Mission Cherokee	Rescue Mission Spartanburg	Administrative and General	Fund Raising	Employment and Landscape Services	Total
Client care/assistance	$ 119,012	$ 68,206	$ 86,351	$ 29,315	$ 1,091	$ 34,678	$ 76,228	$ 30,944	$ 22,192	$ 2,166	$ 7,002	$ 21,298	$ -	$ -	$ 498,483
Compensation	343,067	3,254,371	966,472	413,733	39,305	864,276	318,467	236,128	354,049	170,949	382,647	927,633	455,819	1,894,758	10,621,674
Retirement	1,608	23,571	6,475	2,518	-	10,147	3,762	2,594	4,451	2,637	3,976	27,895	6,610	-	96,244
Other employee benefits	49,899	403,949	134,808	52,690	(8)	132,088	31,315	21,573	55,651	13,940	32,359	195,437	56,412	-	1,180,113
Payroll taxes	21,626	233,629	63,007	26,501	-	62,864	20,017	15,358	21,572	9,420	19,867	107,714	38,532	8,339	648,446
Professional fees	516	113,995	6,618	-	123	-	518	1,875	9,685	-	-	133,693	37,996	30,996	336,015
Advertising	73	38,680	20	-	-	1,501	50	467	891	613	50	2,509	115,802	915	161,571
Office expenses	48,122	242,585	47,680	22,477	11,680	25,525	20,248	36,856	46,859	21,392	45,299	113,529	33,162	8,411	723,825
Information technology	2,240	52,791	10,281	5,458	10	18,159	1,653	5,194	2,730	983	3,200	74,706	83,515	8,027	268,947
Occupancy	168,507	1,062,239	117,847	41,541	32,666	14,237	82,459	69,941	173,993	70,233	159,646	104,627	17,944	28,437	2,144,317
Travel	21,348	107,904	51,660	19,787	6,752	30,240	4,138	6,642	41,592	7,580	15,208	29,605	5,449	16,093	363,998
Interest	-	94,637	-	-	-	-	-	-	-	-	-	110,889	-	17,669	223,195
Depreciation	195,734	314,368	89,836	38,830	23,223	36,632	69,634	110,658	218,098	44,201	117,917	250,624	71,632	9,764	1,591,151
Insurance	5,909	117,082	22,805	10,667	104	14,014	5,856	5,072	5,595	1,882	5,804	22,395	8,785	51,569	277,539
Fundraising	-	13,421	-	-	-	-	-	-	90	246	-	3,295	288,330	-	305,382
Training	3,462	5,502	6,352	1,974	-	-	3,652	1,190	-	2,645	4,853	25,542	5,830	-	61,002
Dues and subscriptions	464	149	2,673	1,612	-	3,836	283	483	548	448	904	7,424	2,493	1,224	22,541
Other expenses	3,817	16,131	5,879	2,852	83	18,906	3,378	3,038	6,996	1,888	3,104	80,142	4,863	71,955	223,032
Cost of goods sold	-	7,742,991	-	-	-	-	-	-	-	-	-	-	-	32,216	7,775,207
	$ 985,404	$ 13,906,201	$ 1,618,764	$ 669,955	$ 115,029	$ 1,267,103	$ 641,658	$ 548,013	$ 964,992	$ 351,223	$ 801,836	$ 2,238,957	$ 1,233,174	$ 2,180,371	$ 27,522,680

See accompanying notes to consolidated financial statements.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Nature of Organization

Miracle Hill Ministries, Inc. ("the Ministries") is a non-profit organization incorporated under the laws of South Carolina and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Ministries seek to help individuals and families in upstate South Carolina victimized by poverty, broken homes, or other problems through temporary and long-term physical and spiritual assistance.

Operational Activities - The following describes the operational activities of the Ministries:

Greenville Rescue Mission – A program for homeless men and families which provides emergency housing, meals and clothing; gospel services; personal counseling; and GED training.

Thrift Operations – A program which operates thrift stores to support other programs of the Ministries and which provides sheltered employment to train and equip mission clients to return to the job market.

Children's Home – A program which provides a home environment to care for children of dysfunctional homes while seeking to reunite these families.

Boys' Shelter – A program providing shelter and care for boys, ages 11-16, who have been removed from their homes because of abuse, neglect or abandonment.

Homes for Life – A program providing shelter and support to homeless young men ages 17-21.

Foster Care **–** A program which provides care for children and teens from four Upstate South Carolina counties who are in need of a loving family environment.

Shepherd's Gate – A program for homeless women and children which provides emergency housing, meals and clothing; personal counseling; a personal growth program; GED training; and gospel services.

Renewal – A six-month program for women in need of a structured, long-term approach to dealing with addiction and other life-dominating problems.

Overcomers – This program provides a seven-month residential program for men in need of a more structured, longer-term approach to dealing with life-dominating addictions.

Rescue Mission – Cherokee Co. – A program for homeless men, women, and families in Cherokee County which provides emergency housing, meals and clothing; personal counseling; gospel services; and GED training.

Rescue Mission – Spartanburg Co. – A program for homeless men, women and families in Spartanburg County which provides emergency housing, meals and clothing; personal counseling; gospel services; and GED training.

b) Basis of Accounting

The accompanying consolidated financial statements include the accounts of Miracle Hill Ministries, Inc. and its wholly owned subsidiary Miracle Hill Enterprises, Inc. ("MHE"). Entities in which the Ministries has a relationship that meets the consolidation criteria in applicable accounting literature are included in the accompanying consolidated financial statements. The accompanying consolidated financial statements of the Ministries have been prepared on the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

b) Basis of Accounting, Continued

Miracle Hill Enterprises, Inc. is a for-profit organization incorporated in 2018 under the laws of South Carolina, with the Ministries as its sole shareholder. MHE has organized BridgeWorks LLC, a limited liability company performing employment services as a traditional staffing and recruiting firm. MHE also owns Front Office LLC, a limited liability company providing staffing services and Creation Works LLC, a limited liability company providing landscaping services. These service companies seek to provide meaningful, long-term employment opportunities for participants in the Ministries' various programs.

c) Financial Statement Presentation

These consolidated financial statements have been prepared to focus on the Ministries as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with recommendations of the Financial Accounting Standards Board ("FASB") in the *Accounting Standards Codification* ("ASC"). This guidance requires that unconditional promises to give be recorded as receivables and revenues and requires the Ministries to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. It establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into two net asset categories based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Ministries and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations and currently available for operating purposes under the direction of the Board of Directors ("the Board"), designated by the Board for specific purposes, or invested in property and equipment.

Net assets with donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Ministries and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities as net assets released from restrictions.

The net asset classification of donor-restricted endowment funds is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"). As a result, the investment return from donor-restricted endowment funds is classified as net assets with donor restrictions until appropriated for expenditure. Note 10 provides additional information about the Ministries' endowment.

The Board has designated estates and certain other funds to be used solely as endowment; however, under the requirements of the FASB ASC these amounts are included as net assets without donor restrictions, rather than net assets with donor restrictions, even though it is the intention of the Board that they be used for no other purpose.

d) Contributions and Revenue

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence of any donor restrictions. Contributions are recognized when received or when the donor makes an unconditional promise to give to the Ministries. Contributions which are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions upon the satisfaction of the time or purpose restrictions.

Noncash contributions are recorded as support at the estimated fair value of the donation. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Ministries reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Donated inventory items for the thrift stores are recorded at estimated fair market value as determined by management using a calculation based on factors such as estimated sales and inventory turnover. When donated inventory items are sold in the thrift stores, they are reflected in the cost of goods sold of thrift operations.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

e) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, cash balances in depository institutions, and money market balances.

f) Receivables

Accounts receivables are stated at the amount management expects to collect from outstanding balances. The Ministries provides an allowance for doubtful accounts equal to the estimated uncollectible amounts. The Ministries' estimate is based on historical experience, current economic conditions, a review of the current status of trade accounts receivable, and management's assessment of the collectability of specific customer accounts. It is reasonably possible that the Ministries' estimate of the allowance for doubtful accounts will change. Receivables are presented net of an allowance for doubtful accounts of $14,000 at June 30, 2020.

g) Inventories

Inventories consist of items donated for sale in the Ministries' thrift stores and are valued at estimated fair market value as determined by management using a calculation based on factors such as estimated sales and inventory turnover.

h) Investments

Investments comprise primarily equity, debt securities, and mutual funds. Investments are reported at fair value, using the three-level hierarchy established under the *Fair Value Measurement* topic of the FASB ASC. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Realized gains and losses are recognized at the date of disposition based on the difference between the net proceeds received and the purchased value of the investment sold, using the specific identification method. Unrealized gains and losses are recognized for the change in fair value between reporting periods. Net realized and unrealized gains and losses on investments generally are reported as increases and decreases in net assets without donor restrictions unless explicit donor stipulations restrict their use. Interest and dividend income are recognized when earned.

i) Property Held for Sale

From time to time, the Ministries receive gifts of property. In accordance with donor intent, the Ministries lists the property for sale.

j) Property and Equipment

Property and equipment are stated at cost if purchased or fair market value at the date of donation. Additions of assets valued over $5,000 are capitalized and major items retired are removed from the accounts. Replacements, maintenance, and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Straight-line depreciation is taken on the recorded value of the property and equipment at annual rates ranging from 2% to 20%. No depreciation is taken on land, land improvements, or construction in progress.

The Ministries reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset is less than the carrying value.

k) Annuity Liability

The Ministries have been made aware of the receipt of certain unconditional promises to provide future contributions in the form of deferred giving arrangements including charitable remainder annuity trusts, charitable remainder unitrusts and pooled income funds. The various deferred giving agreements stipulate the payment of stated annuity amounts as well as the requirements for the eventual use of the principal of the donated funds.

l) Donated Services

A number of individuals have donated a significant amount of time to the Ministries' programs; however, no amounts have been reflected for donated services.

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

m) Income Taxes

The Ministries is exempt from Federal and State income taxes as an organization described in Section 501(c)(3) of the Internal Revenue Code. The Ministries has adopted the provisions of the *Accounting for Uncertainty in Income Taxes* topic of FASB ASC. This guidance addresses the accounting uncertainty in income taxes recognized in an organization's financial statements and prescribes a threshold of more-likely-than-not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. It also provides related guidance on measurement classification, interest and penalties, and disclosure. As a result of the implementation of this guidance, the Ministries has determined that it has no uncertain tax positions requiring accrual and disclosure.

The Ministries provides for income taxes for MHE according to the *Accounting for Income Taxes* topic of FASB ASC. This guidance requires an asset and liability approach in accounting for income taxes. Income tax expense includes federal and state taxes currently payable and any deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. Income tax expense of $52,000 is included in employment and landscape services expenses in the Consolidated Statement of Activities and a deferred tax asset of $52,000 is included in the Consolidated Statement of Financial Position.

n) Food Costs

The Ministries operates a food warehouse that receives food donations from the community. The value of these food donations has not been recorded in the Consolidated Financial Statements. For the year ended June 30, 2020, 60.10% of the food distributed from the food warehouse went to the Ministries' facilities. The remainder was distributed to other organizations that provide food relief. A total of $49,368 was allocated from the food warehouse expenses, based on the number of boxes that went to the Ministries' facilities. In addition, the Ministries purchased supplemental food in the amount of $61,122, which is included in the Consolidated Statement of Activities and the Consolidated Statement of Functional Expenses. For the year ended June 30, 2020, the total cost of food for the various facilities was $409,308.

o) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

p) Advertising

The Ministries expenses advertising costs as incurred. For the year ended June 30, 2020, advertising expense was $161,571.

q) Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Consolidated Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

r) Consolidated Statement of Financial Position Presentation

Assets and liabilities presented in the Consolidated Statement of Financial Position are recorded in order of liquidity or nearness to conversion to cash.

2) CASH AND CASH EQUIVALENTS

The Ministries maintains cash balances at several financial institutions located in South Carolina. Accounts at each institution are protected by depository insurance up to $250,000 by the Federal Deposit Insurance Corporation ("FDIC") or the Securities Investor Protection Corporation ("SIPC"). At June 30, 2020, the Ministries had uninsured cash and cash equivalents balances of $3,241,762.

Included in the Ministries' cash and cash equivalents balance is $1,362,242 of cash with donor restrictions to be used for subsequent years' activities.

3) RECEIVABLES

Receivables consist of the following at June 30, 2020:

State grant funds	$ 208,266
Trade receivables	50,833
Mortgage receivables	10,060
Employment and landscape services receivables	227,347
	$ 496,506

4) INVESTMENTS

The cost and fair market value of investments at June 30, 2020 are as follows:

	Cost	Unrealized Gain	Fair Value
Equities	$ 4,142,368	$ 711,870	$ 4,854,238
Bonds	1,649,066	30,442	1,679,508
Mutual funds	872,621	177,837	1,050,458
Total investments	6,664,055	920,149	7,584,204
Cash and cash equivalents included in endowment funds	530,136	-	530,136
Total endowment funds	$ 7,194,191	$ 920,149	$ 8,114,340

Investments with a fair value of $845,700 as of June 30, 2020, are donor restricted to be used for subsequent years' activities. Investments with a fair value of $5,446,737 as of June 30, 2020, are donor restricted for endowment.

5) PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2020 are summarized as follows:

Furniture and fixtures	$ 1,629,840
Equipment	2,198,938
Vehicles	1,283,757
Land	2,317,674
Buildings	28,614,856
Construction in progress	1,203,184
	37,248,249
Less accumulated depreciation	(18,704,065)
Total property and equipment, net	$ 18,544,184

Depreciation expense for the year ended June 30, 2020 was $1,591,151. Property with a net book value of $82,065 as of June 30, 2020, is donor restricted to be used for subsequent years' activities.

6) NOTES PAYABLE

Notes and mortgages payable as of June 30, 2020 consist of the following:

Note payable to banking institution, secured by real property, due in 120 monthly payments of principal and interest of $34,690, with interest at 4.00%, maturing in April 2030	$	4,033,305
Note payable to banking institution under PPP, unsecured, due in 18 monthly payments of principal of $103,850 commencing December 2020, interest at 1% deferred until December 2020 and due monthly thereafter		1,869,300
Federal Home Loan Bank of Atlanta, secured by real property		1,000,000
Federal Home Loan Bank of Atlanta, secured by real property		1,000,000
Mortgage loan payable to SC Housing Authority, secured by real property		255,875
Note payable to banking institution, secured by real property, due in 36 monthly payments of principal and interest of $2,076, with interest at 4.25%.		66,344
Note payable to company for equipment purchase, due in 24 monthly payments of principal of $2,404, with no stated interest rate		48,083
Total notes and mortgages payable	$	8,272,907

Aggregate maturities of long-term debt are summarized as follows for the years ended June 30:

2021	$	1,037,999
2022		1,455,350
2023		301,568
2024		292,727
2025		304,652
Thereafter		4,880,611
	$	8,272,907

Interest expense totaled $223,195 for the year ended June 30, 2020.

The Ministries has a $2,000,000 line of credit with a banking institution. There were borrowings against the line during the year ended June 30, 2020; however, there was no balance due as of June 30, 2020. The line bears interest at the rate of prime less1.00%, with interest payable monthly. The line is secured by accounts receivable, furniture and equipment, and inventory and matures in October 2021.

The Ministries had a $1,500,000 line of credit with a banking institution. There were borrowings against the line during the year ended June 30, 2020; however, the balance due was paid in full and the line of credit was closed in April 2020.

The Ministries entered into an Affordable Housing Program agreement with the Federal Home Loan Bank of Atlanta ("the FHLB") and received $1,000,000 for renovations of its Greenville Rescue Mission. These funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. These funds will be forgiven if the Ministries remains in compliance with the terms of the agreement with FHLB for its fifteen-year duration. Because the loan is due immediately upon the default of compliance with the loan agreements, this loan has been recorded as debt. Once the Ministries has satisfied the terms of the loan agreements, this amount will be recognized as grant revenue. The Ministries was in compliance with the terms of the agreement as of June 30, 2020.

6) NOTES PAYABLE, Continued

The Ministries entered into an Affordable Housing Program agreement with the Federal Home Loan Bank of Atlanta ("the FHLB") and received $1,000,000 for renovations of its Spartanburg Rescue Mission. These funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. These funds will be forgiven if the Ministries remains in compliance with the terms of the agreement with FHLB for its fifteen-year duration. Because the loan is due immediately upon the default of compliance with the loan agreements, this loan has been recorded as debt. Once the Ministries has satisfied the terms of the loan agreements, this amount will be recognized as grant revenue. The Ministries was in compliance with the terms of the agreement as of June 30, 2020.

The Ministries assumed a mortgage loan agreement with the South Carolina Housing Authority ("the SCHA") with a remaining principal balance of $255,875 and received property in which it operates its Homes for Life program. These funds are dedicated to the project as a grant, with no interest charged on the outstanding principal balance. These funds will be forgiven if the Ministries remains in compliance with the terms of the agreement with the SCHA for the remaining seven-year duration. Once the Ministries has satisfied the terms of the loan agreements, this amount will be recognized as grant revenue. The Ministries was in compliance with the terms of the agreement as of June 30, 2020.

The Ministries borrowed through the Paycheck Protection Program ("PPP") under the Corona Aid, Relief, and Economic Security Act ("CARES"). This program allows eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs for the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven. The Ministries determined its eligibility for PPP and borrowed $1,869,300 from a bank under this program in May 2020. The terms of the loan require eighteen monthly payments of $103,850, including principal and interest at 1%, commencing on December 5, 2020 through May 5, 2022. Management of the Ministries is confident that it will be able to expend the loan proceeds in such a manner that it will meet the requirements for full forgiveness of the loan. See Note 13 for further discussion.

7) NET ASSET RESTRICTIONS

Net assets which are donor restricted for endowment, annuities, and capital projects total $2,050,482 as of June 30, 2020. Of these net assets, $425,176 is restricted for endowment, $263,065 is restricted for annuities, and $1,362,242 is restricted for capital projects. Net assets which are donor restricted for permanent endowment of $5,446,737 as of June 30, 2020, consist of endowment fund assets that must be held indefinitely. The income earned from these assets may be used for current year operations.

Releases from donor restrictions of $1,576,792 for the year ended June 30, 2020, represent funds used for capital projects from prior years' contributions.

8) RETIREMENT PLAN

The Ministries sponsors a defined contribution retirement savings plan ("the Plan") in compliance with Section 401(k) of the Internal Revenue Code. The Plan covers all employees who work at least twenty hours per week and have been employed for at least one year. Participants may make contributions to the Plan, subject to IRS limitations. The Ministries may make a matching contribution, at its discretion. For the year ended June 30, 2020, the retirement plan expense for the Ministries totaled $96,242.

9) FAIR VALUES OF FINANCIAL INSTRUMENTS

The Ministries has adopted the provisions of the *Fair Value Measurement and Disclosures* topic of FASB ASC. This guidance defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements.

9) FAIR VALUES OF FINANCIAL INSTRUMENTS, Continued

This guidance defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value. Level 1 inputs represent fair values obtained using quoted prices in active markets. Level 2 inputs represent fair values obtained from observable market data but not from quoted market prices. Level 3 inputs represent unobservable inputs that are supported by little or no market activity and are generally based on the entity's own assumptions.

The following methods and assumptions are used to estimate the fair value of each financial instrument:

Cash and cash equivalents, accounts payable, accrued expenses, prepaid expenses - the carrying values approximate fair value due to their short maturities.

Receivables - the carrying values approximate fair value due to their short maturities.

Investments – the fair values are based on quoted market prices of the underlying investment securities. Investments are carried at fair value in the accompanying Consolidated Statement of Financial Position.

Annuity liability – the fair values are determined by discounting the future cash flows of each instrument at rates currently offered by the Ministries for similar instruments of comparable maturities. The carrying amount of annuity liabilities approximates fair value.

Notes payable – the fair values are determined by discounting the future cash flows of each debt instrument at rates currently offered to the Ministries for similar debt instruments of comparable maturities. The carrying amount of notes payable approximates fair value.

The following table sets forth, by level within the fair value hierarchy, the Ministries investment assets at fair value, at June 30, 2020:

	Total Fair Value	Level 1	Level 2	Level 3
Equities	$ 4,854,238	$ 4,854,238	$ -	$ -
Bonds	1,679,508	1,679,508	-	-
Mutual funds	1,050,458	1,050,458	-	-
	$ 7,584,204	$ 7,584,204	$ -0-	$ -0-

10) ENDOWMENT FUNDS

The Ministries' endowment consists of donor-restricted funds and Board designated endowment funds. Effective July 1, 2007, the state of South Carolina adopted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act. The *Endowments of Not-for-Profit Organizations* topic of FASB ASC provides guidance for organizations with endowment funds subject to the UPMIFA. The Ministries has adopted the provisions of this guidance.

The Ministries' management has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted funds absent explicit donor stipulation to the contrary. The Ministries classifies as donor restricted net assets for endowment (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor restricted net assets is classified as donor restricted net assets until those amounts are expended in a manner consistent with the prudence prescribed by UPMIFA. In accordance with UPMIFA, the Ministries considers the following factors in making a determination to expend or accumulate donor restricted endowment funds:

1. The duration and preservation of the fund
2. The purpose of the Ministries and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Ministries
7. The investment policies of the Ministries

Board designated endowment net assets include gifts and other revenues that have been designated by the Board to function as endowment. These funds may be expended at the discretion of the Board. Also included are certain donor restricted net assets that have not been expended for their restricted purpose but are being invested and the earnings expended for the restricted purpose.

The Ministries has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by the endowment while seeking to maintain the purchasing power of the endowment assets. To meet its long-term rate-of-return objectives, the Ministries relies on a total return strategy in which investment returns are achieved through capital appreciation (realized and unrealized) and current yield (interest and dividends). Under this policy, actual earnings, as well as a prudent portion of realized and unrealized gains may be distributed for operational needs or in accordance with donor restrictions. The Ministries expects its endowment funds, over time, to provide an average rate of return at least equal to its spending policy requirements plus the rate of inflation. Actual returns in any given year may vary from this amount.

The Ministries' endowment funds consist of the following at June 30, 2020:

Board designated endowment reserves	$ 1,821,903
Restricted by donors for endowment	5,871,912
Annuity investments held in endowment	420,525
Total endowment funds	8,114,340
Annuity liability	(239,525)
Net endowment funds	$ 7,874,815

10) ENDOWMENT FUNDS, Continued

Changes in endowment assets for the year ended June 30, 2020 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	$ 1,874,760	$ 6,287,813	$ 8,162,573
Investment earnings	91,081	10,477	101,558
Gains on investments	196,214	22,571	218,785
Contributions	205,920	1,000	206,920
Distributed earnings	(546,072)	(29,424)	(575,496)
Endowment net assets, ending	$ 1,821,903	$ 6,292,437	$ 8,114,340

11) OPERATING LEASES

The Ministries is obligated under non-cancelable operating leases for equipment and facilities. Rent expense for these leases amounted to $510,930 for the year ended June 30, 2020. The annual minimum lease payments are as follows as of June 30:

2021	$ 514,330
2022	498,237
2023	499,997
2024	430,995
2025	61,200
	$ 2,004,759

Capital Leases

The Ministries is obligated under a capital lease for equipment that expires in 2022. The gross amount of equipment recorded under capital leases as of June 30, 2020 was $29,471. Amortization of assets held under capital leases is included within depreciation expense.

Future minimum lease payments are summarized as follows for the years ended June 30:

2021	$ 14,735
2022	3,684
Total minimum lease payments	18,419
Less amount representing interest	(1,551)
Present value of minimum capital lease payments	$ 16,868

12) LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The following table reflects the Ministries' financial assets as of June 30, 2020, reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable because certain net assets are donor restricted (see Footnote 7). The Ministries has the following financial assets that could readily be made available within one year of the Consolidated Statement of Financial Position date to fund expenses without limitations:

Financial assets:	
Cash and cash equivalents	$ 4,500,768
Receivables	496,506
Investments	7,584,204
Financial assets, at year-end	12,581,478
Less those unavailable for general expenditures within one year due to:	
Donor imposed restrictions:	
Restrictions by donor with purpose restrictions	(2,050,482)
Board designated net assets for endowment	(5,446,737)
	(7,497,219)
Financial assets available to meet cash needs for general expenditures within one year	$ 5,084,259

The Ministries has a policy to structure its financial assets to be available as its general expenses, liabilities and other obligations come due. The Ministries monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash.

13) OTHER

In December 2019, an outbreak of novel coronavirus ("COVID-19") originated in China and spread to other countries, including the U.S. In March 2020, the World Health Organization characterized COVID-19 as a pandemic. In addition, multiple jurisdictions in the U.S. have declared a state of emergency, and have limited most aspects of business, education, travel, and personal physical interactions. It is anticipated that these substantial impacts will continue for some time. Beginning in March 2020, the Ministries was forced to close its thrift stores for several weeks and move many of its employees in its various programs and administrative functions to remote work. These necessary actions did cause certain revenue sources to decrease and additional expenses to be incurred. Future significant impacts may include continued cancellation of thrift operations and may include disruptions or restrictions on employees' ability to work. Changes in the operating environment may also increase operating costs. Management of the Ministries is carefully monitoring this situation and has budgeted so as to enable the Ministries to maintain its financial stability.

In response to the pandemic, Congress passed the Corona Aid, Relief, and Economic Security Act ("CARES"), which, among other provisions, introduced additional aid to effected organizations through the Paycheck Protection Program ("PPP"). This program allows eligible entities to borrow up to 2.5 times the average monthly eligible payroll costs for the previous year. These funds must be used solely for specified purposes, which include payroll expenses, rent, interest payments, and utilities. To the extent the borrower meets certain requirements, all or some portion of the loan may be forgiven.

The Ministries determined its eligibility for PPP and borrowed $1,869,300 under this program in May 2020. The Ministries has accounted for the loan as a financial liability in accordance with FASB ASC 470 *Debt*. Based on this accounting guidance, the proceeds from the loan will remain recorded as a liability until either 1) the loan is, in part or wholly, forgiven and the Ministries has been legally released or 2) the Ministries pays off the loan. The Ministries anticipates that it will be able to expend the loan proceeds in such a manner that it will meet the requirements for full forgiveness of the loan. Once the loan has been forgiven, the liability will be reduced and a gain on extinguishment recorded.

14) SUBSEQUENT EVENTS

In preparing these consolidated financial statements, the Ministries has evaluated events and transactions for potential recognition or disclosure through August 28, 2020, the date the consolidated financial statements were available to be issued. There were no such events requiring recording for the year ended June 30, 2020.