Grace Centers of Hope and Subsidiaries

Consolidated Financial Report
October 31, 2018

Contents

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Independent Auditor's Report

To the Board of Directors
Grace Centers of Hope and Subsidiaries

We have audited the accompanying consolidated financial statements of Grace Centers of Hope and Subsidiaries (the "Center"), which comprise the consolidated balance sheet as of October 31, 2018 and 2017 and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated 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 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 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 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 financial position of Grace Centers of Hope and Subsidiaries and its subsidiaries as of October 31, 2018 and 2017 and their changes in net assets, functional expenses, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Plante & Moran, PLLC

March 20, 2019

Consolidated Balance Sheet

October 31, 2018 and 2017

	2018	2017
Assets		
Current Assets		
Cash	$ 649,891	$ 947,852
Investments (Note 10)	179,566	183,184
Contributions receivable (Note 4)	3,858	8,333
Inventory	245,520	324,186
Prepaid expenses and other current assets	43,860	66,844
Total current assets	1,122,695	1,530,399
Other Assets	263,860	213,860
Long-term Contributions Receivables - Net of current portion (Note 4)	-	5,000
Property and Equipment - Net (Note 3)	4,422,686	4,392,125
Total assets	**$ 5,809,241**	**$ 6,141,384**
Liabilities and Net Assets		
Current Liabilities		
Trade accounts payable	$ 204,460	$ 178,532
Accrued liabilities and other	300,130	272,746
Current portion of long-term debt (Note 6)	47,188	49,286
Total current liabilities	551,778	500,564
Long-term Debt - Net of current portion (Note 6)	137,953	185,149
Total liabilities	689,731	685,713
Net Assets		
Unrestricted net assets:		
Undesignated	4,566,718	4,020,945
Board designated (Notes 2 and 11)	420,991	478,264
Temporarily restricted net assets (Note 7)	131,801	956,462
Total net assets	5,119,510	5,455,671
Total liabilities and net assets	**$ 5,809,241**	**$ 6,141,384**

See notes to consolidated financial statements.

Consolidated Statement of Activities and Changes in Net Assets

Years Ended October 31, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Revenue and Support						
Donations and contributions	$ 3,563,024	$ 42,744	$ 3,605,768	$ 2,591,724	$ 238,944	$ 2,830,668
Donations in-kind	460,221	-	460,221	160,883	-	160,883
Car donation income	29,040	-	29,040	10,013	-	10,013
Thrift store and salvage sales	2,244,808	-	2,244,808	2,423,116	-	2,423,116
Special event revenue:						
Gross revenue	341,889	-	341,889	343,197	-	343,197
Direct benefit expenses	(139,915)	-	(139,915)	(180,859)	-	(180,859)
Interest	1,780	-	1,780	3,229	-	3,229
Investment income	(3,618)	-	(3,618)	27,776	-	27,776
Loss on disposal of fixed assets	(7,631)	-	(7,631)	(20,571)	-	(20,571)
Rental income	268,220	-	268,220	244,637	-	244,637
Other revenue	150,464	-	150,464	189,041	-	189,041
Gain on insurance proceeds	-	-	-	535,477	-	535,477
Total revenue and support	6,908,282	42,744	6,951,026	6,327,663	238,944	6,566,607
Net Assets Released from Restrictions	867,405	(867,405)	-	862,075	(862,075)	-
Total revenue, support, and net assets released from restrictions	7,775,687	(824,661)	6,951,026	7,189,738	(623,131)	6,566,607
Expenses						
Program services - Homeless shelter						
Homeless shelter	3,447,106	-	3,447,106	3,484,843	-	3,484,843
Thrift stores	2,077,022	-	2,077,022	2,260,586	-	2,260,586
Rental homes	208,042	-	208,042	185,034	-	185,034
Day Care facility	333,926	-	333,926	343,248	-	343,248
Total program services	6,066,096	-	6,066,096	6,273,711	-	6,273,711
Support services:						
Management and general	462,012	-	462,012	485,209	-	485,209
Fundraising	759,079	-	759,079	667,624	-	667,624
Total support services	1,221,091	-	1,221,091	1,152,833	-	1,152,833
Total expenses	7,287,187	-	7,287,187	7,426,544	-	7,426,544
Increase (Decrease) in Net Assets	488,500	(824,661)	(336,161)	(236,806)	(623,131)	(859,937)
Net Assets - Beginning of year	4,499,209	956,462	5,455,671	4,736,015	1,579,593	6,315,608
Net Assets - End of year	**$ 4,987,709**	**$ 131,801**	**$ 5,119,510**	**$ 4,499,209**	**$ 956,462**	**$ 5,455,671**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended October 31, 2018

	Program Services					Support Services				
	Homeless Shelter	Thrift Stores	Rental Homes	Day Care Facility	Total	Management and General	Fundraising	Special Events - Direct Benefit to Donors	Total	2018 Total
Compensation, benefits, and related taxes	$ 1,991,693	$ 1,078,490	$ -	$ 256,200	$ 3,326,383	$ 337,221	$ 385,919	$ -	$ 723,140	$ 4,049,523
Rent	-	441,390	-	-	441,390	-	-	-	-	441,390
Advertising and contribution development	18,761	49,483	-	-	68,244	-	311,711	-	311,711	379,955
Food - Donated	203,748	-	-	-	203,748	-	-	-	-	203,748
Legal and professional fees	-	13,932	2,130	-	16,062	39,380	-	-	39,380	55,442
Utilities	203,920	183,841	88,552	22,028	498,341	7,626	7,625	-	15,251	513,592
Repair and maintenance	105,968	104,095	7,997	3,795	221,855	3,962	3,962	-	7,924	229,779
Support - Grace Gospel Fellowship	195,000	-	-	-	195,000	-	-	-	-	195,000
Office supplies and expenses	7,110	67,775	308	13,430	88,623	1,203	1,378	-	2,581	91,204
Insurance	25,576	39,083	25,292	3,621	93,572	956	956	-	1,912	95,484
Housekeeping	25,083	-	-	-	25,083	938	938	-	1,876	26,959
Postage	886	-	-	-	886	885	9,298	4,094	14,277	15,163
Travel	14,993	6,996	-	-	21,989	2,228	2,549	-	4,777	26,766
Lease expense	15,210	-	-	-	15,210	2,575	2,947	-	5,522	20,732
Kitchen	58,551	-	-	5,616	64,167	-	-	-	-	64,167
Membership and dues	566	-	-	-	566	96	110	-	206	772
Interest and fees	2,353	4,632	4,793	-	11,778	44,128	89	-	44,217	55,995
Property taxes	-	-	19,436	-	19,436	-	-	-	-	19,436
Facilities expense	-	-	-	-	-	-	-	59,553	59,553	59,553
Production expense	-	-	-	-	-	-	-	60,038	60,038	60,038
Other services	53,262	-	-	-	53,262	-	-	-	-	53,262
Miscellaneous	154,048	30,738	12,236	3,296	200,318	6,965	17,748	16,230	40,943	241,261
Depreciation	370,378	56,567	47,298	25,940	500,183	13,849	13,849	-	27,698	527,881
Total functional expenses	**$ 3,447,106**	**$ 2,077,022**	**$ 208,042**	**$ 333,926**	**$ 6,066,096**	**$ 462,012**	**$ 759,079**	**$ 139,915**	**$ 1,361,006**	**$ 7,427,102**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended October 31, 2017

	Program Services					Support Services				
	Homeless Shelter	Thrift Stores	Rental Homes	Day Care Facility	Total	Management and General	Fundraising	Special Events - Direct Benefit to Donors	Total	2017 Total
Compensation, benefits, and related taxes	$ 1,878,498	$ 1,166,490	$ -	$ 263,255	$ 3,308,243	$ 362,752	$ 318,238	$ -	$ 680,990	$ 3,989,233
Rent	-	471,651	-	-	471,651	-	-	-	-	471,651
Advertising and contribution development	18,129	43,336	-	-	61,465	-	295,467	-	295,467	356,932
Food - Donated	128,547	-	-	-	128,547	-	-	-	-	128,547
Legal and professional fees	-	14,024	2,214	-	16,238	40,088	-	-	40,088	56,326
Utilities	218,338	191,027	71,434	22,838	503,637	8,164	8,164	-	16,328	519,965
Repair and maintenance	209,761	99,828	15,124	3,240	327,953	3,153	3,154	-	6,307	334,260
Support - Grace Gospel Fellowship	195,000	-	-	-	195,000	-	-	-	-	195,000
Office supplies and expenses	8,272	76,462	302	19,679	104,715	1,598	1,401	33	3,032	107,747
Insurance	38,660	41,195	15,866	3,671	99,392	1,064	1,065	-	2,129	101,521
Housekeeping	30,917	-	-	-	30,917	1,157	1,156	-	2,313	33,230
Postage	1,010	-	-	-	1,010	1,010	10,606	5,506	17,122	18,132
Travel	16,803	14,944	-	-	31,747	3,245	2,847	-	6,092	37,839
Lease expense	16,681	-	-	-	16,681	3,221	2,826	-	6,047	22,728
Kitchen	47,740	-	-	6,052	53,792	-	-	-	-	53,792
Membership and dues	588	-	-	-	588	114	100	-	214	802
Interest and fees	2,059	5,721	5,988	-	13,768	38,330	77	-	38,407	52,175
Property taxes	-	-	18,353	-	18,353	-	-	-	-	18,353
Facilities expense	-	-	-	-	-	-	-	75,041	75,041	75,041
Production expense	-	-	-	-	-	-	-	93,241	93,241	93,241
Other services	139,690	-	-	-	139,690	-	-	-	-	139,690
Miscellaneous	171,097	62,929	8,858	1,522	244,406	7,738	8,948	7,038	23,724	268,130
Depreciation	363,053	72,979	46,895	22,991	505,918	13,575	13,575	-	27,150	533,068
Total functional expenses	**$ 3,484,843**	**$ 2,260,586**	**$ 185,034**	**$ 343,248**	**$ 6,273,711**	**$ 485,209**	**$ 667,624**	**$ 180,859**	**$ 1,333,692**	**$ 7,607,403**

Grace Centers of Hope and Subsidiaries

Consolidated Statement of Cash Flows

Years Ended October 31, 2018 and 2017

	2018	2017
Cash Flows from Operating Activities		
Decrease in net assets	$ (336,161)	$ (859,937)
Adjustments to reconcile decrease in net assets to net cash from operating activities:		
Depreciation	527,881	533,068
Loss on disposal of asset	7,631	20,571
Net realized and unrealized gain from investments	3,618	(27,776)
Donated capital assets	(229,591)	-
Changes in operating assets and liabilities that provided (used) cash:		
Inventory	78,666	(10,988)
Prepaid expenses and other	22,984	25,936
Grants receivable	9,475	138,759
Accounts payable	25,928	(109,693)
Accrued liabilities and other	27,384	71,005
Net cash provided by (used in) operating activities	137,815	(219,055)
Cash Flows from Investing Activities		
Purchase of property and equipment	(336,482)	(140,385)
Purchase of annuity contract	(50,000)	(50,000)
Net cash used in investing activities	(386,482)	(190,385)
Cash Flows from Financing Activities		
Proceeds from debt	-	68,121
Repayment of debt	(49,294)	(78,215)
Net cash used in financing activities	(49,294)	(10,094)
Net Decrease in Cash	(297,961)	(419,534)
Cash - Beginning of year	947,852	1,367,386
Cash - End of year	**$ 649,891**	**$ 947,852**
Supplemental Cash Flow Information - Cash paid for interest	$ 11,955	$ 13,923

See notes to consolidated financial statements.

Note 1 - Nature of Business

Grace Centers of Hope and Subsidiaries (the "Center") is a not-for-profit organization that receives its revenue principally from contributions, grants, and thrift store sales. The Center has been in operation since 1942 and is Oakland County's oldest and largest homeless shelter.

The Center's ultimate goal is total rehabilitation by meeting all of the needs of the homeless, including food, clothing, shelter, educational courses, day care, job training and assistance in preparing resumes, substance abuse programs, medical care, and housing placement.

The Center is a subsidiary of a related entity, Grace Gospel Fellowship Church (the "Church") (see Note 8). The Center includes the following single-member LLCs:

- **Rescued Treasures of Sterling Heights, LLC (Rescued Treasures - Sterling Heights)** - This entity operates a thrift store that sells donated clothing and other items to both subsidize center operations and to provide employment to center residents.
- **Rescued Treasures of Waterford, LLC (Rescued Treasures - Waterford)** - This entity operates a thrift store that sells donated clothing and other items to both subsidize center operations and to provide employment to center residents.
- **Rescued Treasures Warren - Dequindre, LLC (Rescued Treasures - Dequindre)** - This entity operates a thrift store that sells donated clothing and other items to both subsidize center operations and to provide employment to center residents.
- **Rescued Treasures of Oak Park, LLC (Rescued Treasures - Oak Park)** - This entity operates a thrift store that sells donated clothing and other items to both subsidize center operations and to provide employment to center residents.
- **Rescued Homes, LLC (Rescued Homes)** - This entity provides short-term rental housing to graduates of center programs.
- **Hands of Hope Childcare Center, LLC (Hands of Hope)** - This entity operates a childcare center for residents of the Center.

Note 2 - Significant Accounting Policies

Consolidation

The consolidated financial statements include the accounts of Grace Centers of Hope and its wholly owned subsidiaries, Rescued Treasures - Sterling Heights, Rescued Treasures - Waterford, Rescued Treasures - Dequindre, Rescued Treasures - Oak Park, Rescued Homes, and Hands of Hope. All significant intercompany transactions have been eliminated in consolidation.

Concentration of Credit Risk Arising from Deposit Accounts

The Center maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to $250,000. The Center evaluates financial institutions with which it deposits funds; however, it is not practical to insure all cash deposits.

Investments

Investment securities are carried at fair value, as described in Note 10.

Note 2 - Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost when purchased or at fair value at the date of donation and are being depreciated on a straight-line basis over their estimated useful lives. Costs of maintenance and repairs are charged to expense when incurred.

The Center reports gifts of property, plant, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property, plant, and equipment with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire property, plant, and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property, plant, and equipment must be maintained, the Center reports such gifts as unrestricted support.

Donated Food and Services

The value of donated food and services has been estimated by the Center and recorded as in-kind revenue and expenses. Donated professional services offered at the Center's sites that are coordinated with the activities of other third-party health and welfare organizations are not reflected in the consolidated financial statements.

Other Assets

Other long-term assets on the consolidated balance sheet consist of a rare coin for $13,860 at October 31, 2018 and 2017 and an annuity contract for $250,000 and $200,000 at October 31, 2018 and 2017, respectively.

The rare coin was donated to the Center and is recorded at the fair value at the date of donation.

The annuity contract relates to a contract for which the Center is the sole beneficiary. The contract is carried at cost. During 2018 and 2017, the Center contributed an additional $50,000 to the annuity contract. The Center will receive annuity payments over the life of its current CEO. The annuity payments will be determined based on the date that payments begin. The earliest date that annuity payments may begin is March 7, 2020.

Contributions

Contributions of cash and other assets, including unconditional promises to give in the future, are reported as revenue when received, measured at fair value. Donor promises to give in the future are recorded at the present value of estimated future cash flows.

Contributions without donor-imposed restrictions and contributions with donor-imposed time or purpose restrictions that are met in the same period as the gift are both reported as unrestricted support. Other restricted gifts are reported as restricted support and temporarily or permanently restricted net assets.

Inventory

Inventory, which consists of contributed clothing and other items, is stated at the lower of cost or net realizable value by use of the first-in, first-out (FIFO) method of valuation. There is a significant amount of work involved in bringing contributed goods to salable value; therefore, the Center records inventory only for contributed goods brought to the point of sale. Contributed goods that have not reached their point of sale have not been included in inventory.

Note 2 - Significant Accounting Policies (Continued)

Contributions Receivable

Contributions receivable on the consolidated balance sheet consist of contributions designated by donors for center programs, undesignated contributions, and a bequest receivable. A provision for uncollectible accounts has been made for specific amounts deemed uncollectible by management. The allowance for uncollectible contributions receivable at October 31, 2018 and 2017 was $4,000 and $5,500, respectively. All amounts deemed uncollectible are charged against the allowance for doubtful accounts in the period that determination is made.

Classification of Net Assets

Net assets of the Center are classified as unrestricted, temporarily restricted, or permanently restricted depending on the presence and characteristics of donor-imposed restrictions limiting the Center's ability to use or dispose of contributed assets or the economic benefits embodied in those assets.

Board-designated net assets are unrestricted net assets designated by the board for reserves. This designation is based on board actions, which can be altered or revoked at a future time by the board. At October 31, 2018 and 2017, the board-designated net assets include a $100,000 emergency fund. At October 31, 2018 and 2017, the board-designated net assets include an endowment fund of $320,991 and $378,264, respectively (see Note 11).

Donor-imposed restrictions that expire with the passage of time or can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law. No permanently restricted net assets exist at October 31, 2018 or 2017.

Functional Allocation of Expenses

Costs of providing the program and support services have been reported on a functional basis in the consolidated statement of activities and changes in net assets. Costs have been allocated between the various programs and support services on several bases and estimates. Although the methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

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 date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Center is a not-for-profit corporation and is exempt from tax under the provisions of Internal Revenue Code Section 501(c)(3). Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Center and recognize a tax liability if the Center has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS or other applicable taxing authorities. Management has analyzed the tax positions taken by the Center and has concluded that, as of October 31, 2018 and 2017, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the financial statements. The Center is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Note 2 - Significant Accounting Policies (Continued)

Upcoming Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which will supersede the current revenue recognition requirements in Topic 605, *Revenue Recognition*. The ASU is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU also requires additional disclosure about the nature, amount, timing, and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The new guidance will be effective for the Center's year ending October 31, 2020. The ASU permits application of the new revenue recognition guidance using one of two retrospective application methods. The Center has reviewed its various revenue streams and does not feel this standard will have a significant impact on the timing of revenue recognition. However, the Center does expect to have expanded disclosures as a result of the new standard.

The FASB issued ASU No. 2016-02, *Leases*, which will supersede the current lease requirements in ASC 840. The ASU requires lessees to recognize a right-to-use asset and related lease liability for all leases, with a limited exception for short-term leases. Leases will be classified as either finance or operating, with the classification affecting the pattern of expense recognition in the statement of operations. Currently, leases are classified as either capital or operating, with only capital leases recognized on the balance sheet. The reporting of lease-related expenses in the statements of operations and cash flows will be generally consistent with the current guidance. The new lease guidance will be effective for the Center's year ending October 31, 2021 and will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The new lease standard is expected to have a significant effect on the Center’s consolidated financial statements, as a result of the leases for the buildings related to the thrift stores.

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU No. 2016-14 requires significant changes to the financial reporting model of organizations that follow FASB not-for-profit rules, including changing from three classes of net assets to two classes: net assets with donor restrictions and net assets without donor restrictions. The ASU will also require changes in the way certain information is aggregated and reported by the Center, including required disclosures about the liquidity and availability of resources. The new standard is effective for the Center’s year ending October 31, 2019 and thereafter and must be applied on a retrospective basis. The Center has determined the effects of the new standard on the consolidated financial statements will have a significant impact, including a change in the net asset descriptions, additional disclosures regarding liquidity, and additional information on the natural classifications of the functional expenses.

In June 2018, the FASB issued ASU No. 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, which provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The new guidance will be effective for the Center’s year ending October 31, 2020 and will be applied on a modified prospective basis. The Center has not yet determined the impact on the timing of recognition of foundation and individual grants and contributions.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including March 20, 2019, which is the date the consolidated financial statements were available to be issued.

Note 3 - Property and Equipment

Property and equipment are summarized as follows:

	2018	2017	Depreciable Life - Years
Land	$ 41,500	$ 41,500	
Buildings	2,616,819	2,616,819	10-15
Leasehold improvements	4,209,470	3,984,449	10-15
Machinery and equipment	461,160	463,310	3
Transportation equipment	592,748	607,161	3-5
Furniture and fixtures	421,888	421,888	3
Construction in progress	336,482	-	-
Accumulated depreciation	4,257,381	3,743,002	
Net property and equipment	$ 4,422,686	$ 4,392,125	

Depreciation and amortization expense for 2018 and 2017 was $527,881 and $533,068, respectively.

Note 4 - Contributions Receivable

Included in contributions receivable are several unconditional promises to give generated from a capital campaign. They are included as follows:

	2018	2017
Gross promises to give before unamortized discount	$ 7,858	$ 18,833
Less allowance for uncollectible contributions	(4,000)	(5,500)
Net contributions receivable	$ 3,858	$ 13,333
Amounts due in:		
Less than one year	$ 7,858	$ 13,833
One to five years	-	5,000
Total	$ 7,858	$ 18,833

Note 5 - Operating Leases

The Center has noncancelable operating lease agreements for the thrift store facilities.

The Waterford thrift store agreement requires monthly rent of $9,500 to $10,500 through July 31, 2020. Rental expense has been recognized on a straight-line basis over the term of the lease. As a result, $11,250 and $12,000 is included in accrued liabilities as of October 31, 2018 and 2017, respectively, which will be amortized over the remaining term of the lease.

The Sterling Heights thrift store requires monthly rent of $5,971 to $7,230 and common area maintenance and taxes of $3,431 to $3,775 through December 31, 2021. Rental expense on the lease has been recognized on a straight-line basis over the term of the lease. As a result, $18,817 and $8,363 is included in accrued liabilities as of October 31, 2018 and 2017, respectively, which will be amortized over the remaining term of the lease.

The Dequindre thrift store requires monthly rent payments of $7,280 to $8,030 through July 31, 2020. Rental expense on the extended lease has been recognized on a straight-line basis over the term of the lease. As a result, $7,200 and $7,350 is included in accrued liabilities as of October 31, 2018 and 2017, respectively, which will be amortized over the remaining term of the lease.

Note 5 - Operating Leases (Continued)

The Oak Park thrift store requires monthly rent payments of $8,795 to $9,472 through July 31, 2020. Rental expense has been recognized on a straight-line basis over the term of the lease. As a result, $6,699 and $6,293 is included in accrued liabilities as of October 31, 2018 and 2017, respectively, which will be amortized over the remaining term of the lease.

Future minimum annual commitments under these operating leases are as follows:

2019	$ 452,235
2020	378,116
2021	131,372
2022	22,010
Total	$ 983,733

Total rent expense on these leases for 2018 and 2017 was $441,390 and $471,651, respectively.

Note 6 - Long-term Debt

Long-term debt at October 31 is as follows:

	2018	2017
Mortgage loan for 43 Fairgrove, payable in monthly installments of $1,099, including interest at a fixed rate of 3.74 percent. The loan matures in December 2019. The loan is collateralized by a first mortgage lien on property owned by Rescued Homes, LLC	$ 14,909	$ 27,294
Notes payable to a financial institution in monthly installments totaling $3,127, including interest at fixed rates varying from 2.9 to 6.9 percent, through April 2022. The notes are collateralized by transportation equipment	114,276	147,594
Mortgage loan for 45 Seneca, payable in monthly installments of $323, including interest at a fixed rate of 6.9 percent. The loan matures in July 2024. The loan is collateralized by a first mortgage lien on property owned by Rescued Homes, LLC	18,012	20,596
Land contract for 70 Seneca, payable in monthly installments of $309, including interest at a fixed rate of 7.0 percent. The loan was modified in 2018 to extend the final balloon payment to November 2021	37,944	38,951
Total	185,141	234,435
Less current portion	47,188	49,286
Long-term portion	$ 137,953	$ 185,149

The balance of the above debt matures as follows:

Years Ending	Amount
2019	$ 47,188
2020	37,532
2021	31,921
2022	59,119
2023	6,936
Thereafter	2,445
Total	$ 185,141

Note 6 - Long-term Debt (Continued)

Interest expense for 2018 and 2017 was $11,955 and $13,923, respectively.

The Center has an available line of credit of up to $300,000 guaranteed by Rescued Treasures - Sterling Heights and Rescued Treasures - Waterford. The line of credit bears interest equal to prime plus 0.75 percent and is collateralized by the assets of the Center. Interest payments are due monthly. The line of credit expires on May 31, 2019. No amounts were drawn during 2018 or 2017.

Note 7 - Temporarily Restricted Net Assets

Temporarily restricted net assets as of October 31, 2018 and 2017 are available for the following purposes:

	2018	2017
Contributions restricted for specific program use	$ 107,943	$ 903,129
Time restrictions:		
Pledges and grants receivable	3,858	13,333
Mission building	20,000	40,000
Total temporarily restricted net assets	$ 131,801	$ 956,462

The mission building was donated to the Center in November 2008 by the federal government. The deed on the building includes a restriction that the building must continue in its current use for a 30-year period beginning in June 1989, which is when the Center first began using the building. The deed includes a clause that the building can be sold; however, the Center would be required to pay the federal government a prorated portion of the fair market value of the building based on the number of years remaining in that 30-year period. As of October 31, 2018, one year remains on the restriction.

Note 8 - Related Party Transactions

The chief executive officer (CEO) of the Center is the pastor and CEO of Grace Gospel Fellowship Church (the "Church") in Pontiac, Michigan. The Center reimburses the Church for expenses paid by the Church on behalf of the Center. The Center did not reimburse the Church during 2018. During 2017, the Center reimbursed the Church $2,380. The Center did not have any outstanding liabilities with the Church for reimbursement for services at October 31, 2018 and 2017.

The Center remitted to the Church a total of $195,000 for the years ended October 31, 2018 and 2017. These are unrestricted support and, therefore, subject to the discretion of the Church.

The Center received donations of $10,356 and $125,000 for the Church for the years ended October 31, 2018 and 2017, respectively. These funds were remitted to the Church.

Note 9 - Retirement Plans

As of January 1, 2010, the Center implemented a SIMPLE IRA plan for substantially all full-time employees. Effective January 1, 2016, the employer match contribution was 3 percent of wages. Effective January 2018, the Center rolled over the plan into a 401(k) plan, and employer match remained at 3 percent. For the years ended October 31, 2018 and 2017, the Center had retirement contributions of $41,638 and $29,080, respectively.

Note 10 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

Note 10 - Fair Value Measurements (Continued)

The following tables present information about the Center's assets measured at fair value on a recurring basis at October 31, 2018 and 2017 and the valuation techniques used by the Center to determine those fair values.

Fair values determined by Level 1 inputs use quoted prices in active markets for identical assets that the Center has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Center's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset.

	Assets Measured at Fair Value on a Recurring Basis at October 31, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at October 31, 2018
Investments:				
Money market mutual funds	$ 40,126	$ -	$ -	$ 40,126
Mutual funds - U.S. equity securities	139,440	-	-	139,440
Total assets	$ 179,566	$ -	$ -	$ 179,566

	Assets Measured at Fair Value on a Recurring Basis at October 31, 2017			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at October 31, 2017
Investments:				
Money market mutual funds	$ 34,323	$ -	$ -	$ 34,323
Mutual funds - U.S. equity securities	148,861	-	-	148,861
Total assets	$ 183,184	$ -	$ -	$ 183,184

Note 11 - Board-designated Endowment

During 2013, the board of directors adopted a policy to designate all bequests received by the Center as board-designated endowment funds. The endowment fund assets are invested in money market funds and equity investments and maintained in cash accounts. The expenditures of the funds are at the board of directors' discretion. Net assets associated with these endowment funds, including funds designated by the board of directors to function as endowments, are reported as unrestricted net assets, and the designation may be removed at the board's discretion.

The board-designated endowment activity for the years ended October 31, 2018 and 2017 is as follows:

	2018	2017
Endowment - Beginning of year	$ 378,264	$ 311,716
Bequests	74,855	38,772
Investment gain	(3,618)	27,776
Expenses	(128,510)	-
Endowment - End of year	$ 320,991	$ 378,264