Grace Centers of Hope and Subsidiaries

Consolidated Financial Report

October 31, 2021

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, 2021 and 2020 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 as of October 31, 2021 and 2020 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

May 2, 2022

Consolidated Balance Sheet

October 31, 2021 and 2020

	2021	2020
Assets		
Current Assets		
Cash	$ 4,525,093	$ 2,619,176
Investments (Note 3)	248,601	203,187
Contributions receivable (Note 5)	51,884	192,939
Inventory	267,459	284,758
Prepaid expenses and other current assets	41,950	62,540
Total current assets	5,134,987	3,362,600
Other Assets	273,354	293,607
Property and Equipment - Net (Note 6)	4,005,527	4,406,659
Total assets	**$ 9,413,868**	**$ 8,062,866**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 93,100	$ 90,835
Accrued liabilities and other	463,364	401,648
Current portion of long-term debt (Note 8)	-	319,839
Total current liabilities	556,464	812,322
Long-term Debt - Net of current portion (Note 8)	-	280,161
Total liabilities	556,464	1,092,483
Net Assets		
Without donor restrictions:		
Undesignated	8,127,403	6,144,367
Board designated (Note 2)	632,644	630,190
Total without donor restrictions	8,760,047	6,774,557
With donor restrictions (Note 9)	97,357	195,826
Total net assets	8,857,404	6,970,383
Total liabilities and net assets	**$ 9,413,868**	**$ 8,062,866**

Consolidated Statement of Activities and Changes in Net Assets

Years Ended October 31, 2021 and 2020

	2021			2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Support						
Donations and contributions	$ 4,626,227	$ 77,076	$ 4,703,303	$ 4,839,602	$ 53,996	$ 4,893,598
Donations in kind	118,315	-	118,315	140,578	-	140,578
Thrift store and salvage sales	2,673,045	-	2,673,045	2,352,784	-	2,352,784
Special event revenue:						
Gross revenue	435,476	-	435,476	615,314	-	615,314
Direct benefit expenses	(91,970)	-	(91,970)	(170,963)	-	(170,963)
Interest	6,305	-	6,305	5,496	-	5,496
Net realized and unrealized gain on investments	44,046	-	44,046	9,433	-	9,433
Loss on disposal of fixed assets	(7,648)	-	(7,648)	(59,507)	-	(59,507)
Rental income	7,732	-	7,732	3,109	-	3,109
Other revenue	211,873	-	211,873	172,219	-	172,219
Total revenue and support	8,023,401	77,076	8,100,477	7,908,065	53,996	7,962,061
Net Assets Released from Restrictions	175,545	(175,545)	-	1,322,303	(1,322,303)	-
Total revenue, support, and net assets released from restrictions	8,198,946	(98,469)	8,100,477	9,230,368	(1,268,307)	7,962,061
Expenses						
Program services:						
Homeless shelter	2,974,252	-	2,974,252	2,874,566	-	2,874,566
Thrift stores	1,899,391	-	1,899,391	1,776,935	-	1,776,935
Day care facility	499,752	-	499,752	460,873	-	460,873
Total program services	5,373,395	-	5,373,395	5,112,374	-	5,112,374
Support services:						
Management and general	589,566	-	589,566	483,627	-	483,627
Fundraising	850,495	-	850,495	849,185	-	849,185
Total support services	1,440,061	-	1,440,061	1,332,812	-	1,332,812
Total expenses	6,813,456	-	6,813,456	6,445,186	-	6,445,186
Increase (Decrease) in Net Assets - Before other revenue	1,385,490	(98,469)	1,287,021	2,785,182	(1,268,307)	1,516,875
Other Revenue - Paycheck Protection Program loan forgiveness	600,000	-	600,000	-	-	-
Increase (Decrease) in Net Assets	1,985,490	(98,469)	1,887,021	2,785,182	(1,268,307)	1,516,875
Net Assets - Beginning of year	6,774,557	195,826	6,970,383	3,989,375	1,464,133	5,453,508
Net Assets - End of year	**$ 8,760,047**	**$ 97,357**	**$ 8,857,404**	**$ 6,774,557**	**$ 195,826**	**$ 6,970,383**

Consolidated Statement of Functional Expenses

Year Ended October 31, 2021

	Program Services				Support Services				
	Homeless Shelter	Thrift Stores	Day Care Facility	Total Program Services	Management and General	Fundraising	Special Events - Direct Benefit to Donors	Total Support Services	Total
Compensation, benefits, and related taxes	$ 1,939,040	$ 1,008,420	$ 317,860	$ 3,265,320	$ 394,657	$ 464,067	$ -	$ 858,724	$ 4,124,044
Occupancy and vehicle fleet	333,428	786,225	38,706	1,158,359	16,576	16,356	-	32,932	1,191,291
Advertising and contribution development	-	-	-	-	-	317,267	-	317,267	317,267
Office supplies and expenses	24,062	37,370	5,418	66,850	51,577	23,134	4,259	78,970	145,820
Kitchen supplies and food	153,576	-	13,635	167,211	-	-	-	-	167,211
Facility and production costs	-	-	-	-	-	-	69,035	69,035	69,035
Depreciation	354,896	17,944	109,960	482,800	17,645	17,408	-	35,053	517,853
Miscellaneous expenses	49,390	45,753	14,173	109,316	3,730	8,744	18,676	31,150	140,466
Other expenses	54,860	3,679	-	58,539	105,381	3,519	-	108,900	167,439
Donation expense	65,000	-	-	65,000	-	-	-	-	65,000
Total functional expenses	**$ 2,974,252**	**$ 1,899,391**	**$ 499,752**	**$ 5,373,395**	**$ 589,566**	**$ 850,495**	**$ 91,970**	**$ 1,532,031**	**$ 6,905,426**

See notes to consolidated financial statements.

Consolidated Statement of Functional Expenses

Year Ended October 31, 2020

	Program Services				Support Services				
	Homeless Shelter	Thrift Stores	Day Care Facility	Total Program Services	Management and General	Fundraising	Special Events - Direct Benefit to Donors	Total Support Services	Total
Compensation, benefits, and related taxes	$ 1,839,573	$ 952,159	$ 289,987	$ 3,081,719	$ 331,321	$ 410,584	$ -	$ 741,905	$ 3,823,624
Occupancy and vehicle fleet	328,765	717,448	45,470	1,091,683	16,345	16,126	-	32,471	1,124,154
Advertising and contribution development	-	-	-	-	-	369,268	-	369,268	369,268
Office supplies and expenses	26,992	33,279	3,873	64,144	50,671	22,545	4,640	77,856	142,000
Kitchen supplies and food	161,449	-	12,435	173,884	-	-	-	-	173,884
Facility and production costs	-	-	-	-	-	-	147,703	147,703	147,703
Depreciation	389,783	18,766	97,674	506,223	19,380	19,119	-	38,499	544,722
Miscellaneous expenses	52,998	47,931	11,284	112,213	3,706	4,702	18,620	27,028	139,241
Interest	1,690	2,066	-	3,756	83	83	-	166	3,922
Other expenses	73,316	5,286	150	78,752	62,121	6,758	-	68,879	147,631
Total functional expenses	**$ 2,874,566**	**$ 1,776,935**	**$ 460,873**	**$ 5,112,374**	**$ 483,627**	**$ 849,185**	**$ 170,963**	**$ 1,503,775**	**$ 6,616,149**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Years Ended October 31, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Increase in net assets	$ 1,887,021	$ 1,516,875
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation	517,853	544,722
Loss on disposal of property and equipment	7,648	59,507
Bad debt recovery	(43,141)	-
Paycheck Protection Program loan forgiveness	(600,000)	-
Net realized and unrealized gain on investments	(44,046)	(9,433)
Changes in operating assets and liabilities that provided (used) cash:		
Contributions receivable	184,196	(176,587)
Inventory	17,299	(53,822)
Prepaid expenses and other assets	20,590	72,909
Accounts payable	2,265	(231,183)
Accrued and other liabilities	61,716	68,830
Net cash provided by operating activities	2,011,401	1,791,818
Cash Flows from Investing Activities		
Purchase of property and equipment	(124,369)	(248,188)
Purchases of investments	(1,368)	(1,606)
Payments from annuity contract	20,253	20,253
Net cash used in investing activities	(105,484)	(229,541)
Cash Flows from Financing Activities		
Proceeds from debt	-	600,000
Payments on debt	-	(101,268)
Net cash provided by financing activities	-	498,732
Net Increase in Cash	1,905,917	2,061,009
Cash - Beginning of year	2,619,176	558,167
Cash - End of year	**$ 4,525,093**	**$ 2,619,176**
Supplemental Cash Flow Information - Cash paid for interest	$ -	$ 3,922

See notes to consolidated financial statements.

Note 1 - Nature of Business

Grace Centers of Hope and Subsidiaries (GCH or 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, Michigan's oldest and largest homeless shelter.

The Center's ultimate goal is total rehabilitation by meeting all of the needs of the unwanted, addicted, and 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 11).

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 both to subsidize center operations and 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 both to subsidize center operations and 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 both to subsidize center operations and 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 both to subsidize center operations and provide employment to center residents.
- **Hands of Hope Childcare Center, LLC (Hands of Hope)** - This entity operates a child care 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, 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 a few 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 3.

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.

Note 2 - Significant Accounting Policies (Continued)

The Center reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of property 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 and equipment are reported as restricted support. Absent explicit donor stipulations about how long the property 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 valued at $13,860 at October 31, 2021 and 2020 and an annuity contract for $259,494 and $279,747 at October 31, 2021 and 2020, respectively.

The rare coin was donated to the Center and is recorded at 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. The Center began receiving annuity payments in June 2020 and will receive annuity payments over the life of its current CEO.

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 period in which the gift is received are both reported as support without donor restrictions. Other restricted gifts are reported as support with donor restrictions.

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.

Contributions Receivable

Contributions receivable on the consolidated balance sheet consist of contributions designated by donors for center programs 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, 2021 and 2020 was $0 and $15,000, 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 based on the presence or absence of donor-imposed restrictions.

Note 2 - Significant Accounting Policies (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Center.

Board-designated net assets are net assets without donor restrictions 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, 2021 and 2020, the board-designated net assets include a $100,000 emergency fund and an endowment fund of $532,644 and $530,190, respectively (see Note 10).

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Center or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity.

Earnings, gains, and losses on donor-restricted net assets are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Revenue Recognition

During the years ended October 31, 2021 and 2020, the Center recognized revenue from contracts with customers of $2,673,045 and $2,352,784, respectively, that includes thrift store and salvage sales. The Center did not recognize any impairment losses on trade receivables for the years ended October 31, 2021 and 2020.

Revenue recorded for thrift store and salvage sales is recorded based on the sale price of goods and services sold and is recorded at the point in time when the sale occurs. Cash is due at the time of sale, and the Center does not allow returns or refunds to customers, who predominantly are individuals. The Center did not have any trade receivables or contract liabilities recorded at October 31, 2021; October 31, 2020; and November 1, 2020.

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 program and support services on a direct basis, except for building-related expenses, which have been allocated by square footage, and compensation-related expenses, which have been allocated based on time and effort spent by the staff within the department. 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).

Note 2 - Significant Accounting Policies (Continued)

Adoption of New Accounting Pronouncement

The Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes 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 Center adopted the standard effective November 1, 2020 using the modified retrospective transition method. The adoption had no impact to the previously reported statement of activities and changes in net assets.

Upcoming Accounting Pronouncements

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 activities. 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 activities 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, 2023 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 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*. The ASU provides for additional disclosures to support clearer financial information about important noncash contributions that charities and other not-for-profit organizations receive, known as gifts in kind (GIKs). Contributed nonfinancial assets will be reported by category within the financial statements, and there will be additional disclosures included for each category, including whether the nonfinancial assets were monetized or used during the reporting period, the policy for monetizing nonfinancial contributions, and a description of the fair value techniques used to arrive at a fair value measurement. The new guidance will be effective for the Center’s year ending October 31, 2022 and will be applied using the retrospective method.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including May 2, 2022, which is the date the consolidated financial statements were available to be issued.

Note 3 - 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.

The following tables present information about the Center's assets measured at fair value on a recurring basis at October 31, 2021 and 2020 and the valuation techniques used by the Center to determine those fair values.

Note 3 - Fair Value Measurements (Continued)

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 where 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, 2021			
	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, 2021
Investments - Mutual fund - Moderate allocation	$ 248,601	$ -	$ -	$ 248,601

	Assets Measured at Fair Value on a Recurring Basis at October 31, 2020			
	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, 2020
Investments - Mutual fund - Moderate allocation	$ 203,187	$ -	$ -	$ 203,187

Note 4 - Liquidity and Availability of Resources

The following reflects the Center's financial assets as of October 31, 2021 and 2020, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated balance sheet date:

	2021	2020
Cash	$ 4,525,093	$ 2,619,176
Investments	248,601	203,187
Contributions receivable	51,884	192,939
Other asset - Annuity contract	259,494	279,747
Financial assets - At year end	5,085,072	3,295,049
Less those unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Resident funds	336,506	303,465
Investments held in annuity contract	259,494	279,747
Board-designated funds	632,644	630,190
Financial assets available to meet cash needs for general expenditures within one year	$ 3,856,428	$ 2,081,647

The Center has a goal to maintain financials assets, which consist of cash, short-term investments, and receivables, on hand to meet normal operating expenses. The center has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. If unanticipated liquidity needs arise, the board is able to undesignate additional funds.

Note 5 - Contributions Receivable

Included in contributions receivable are contributions designated by donors for center programs and a bequest receivable. They are included as follows:

	2021	2020
Gross promises to give before unamortized discount	$ 51,884	$ 207,939
Less allowance for uncollectible contributions	-	(15,000)
Net contributions receivable	$ 51,884	$ 192,939
Amounts due in - Less than one year	$ 51,884	$ 207,939

Note 6 - Property and Equipment

Property and equipment are summarized as follows:

		2021		2020	Depreciable Life - Years
Land	$	324,909	$	324,909	-
Buildings		1,560,422		1,550,891	10-15
Leasehold improvements		4,961,941		4,923,283	10-15
Machinery and equipment		339,285		334,213	3
Transportation equipment		272,310		272,310	3-5
Furniture and fixtures		401,799		397,988	3
Total		7,860,666		7,803,594	
Accumulated depreciation		3,855,139		3,396,935	
Net property and equipment	$	4,005,527	$	4,406,659	

Depreciation expense for 2021 and 2020 was $517,853 and $544,722, respectively.

Note 7 - Operating Leases

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

The Waterford thrift store agreement requires monthly rent of $10,750 to $11,500 through July 31, 2025. Rental expense has been recognized on a straight-line basis over the term of the lease. As a result, $12,563 and $11,113 is included in accrued liabilities as of October 31, 2021 and 2020, which will be amortized over the remaining term of the lease.

The Sterling Heights thrift store requires monthly rent of $6,544 to $8,376 and common area maintenance and taxes of $3,775 to $3,889 through December 31, 2028. Rental expense has been recognized on a straight-line basis over the term of the lease. As a result, $11,117 and $3,310 is included in accrued liabilities as of October 31, 2021 and 2020, which will be amortized over the remaining term of the lease.

The Warren thrift store lease was extended in July 2020 and requires monthly rent payments of $8,030 through July 31, 2025. Rental expense has been recognized on a straight-line basis over the term of the lease.

The Oak Park thrift store lease was extended in June 2019 and requires monthly rent payments of $9,697 through July 31, 2025. Rental expense has been recognized on a straight-line basis over the term of the lease.

Effective September 2020, the Center entered into an agreement to lease donation trucks for each thrift store facility. The donation truck leases require monthly lease payments of $807 for each truck through September 2024. Lease expense has been recognized on a straight-line basis over the term of the lease.

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

Years Ending October 31		Amount
2022	$	520,724
2023		519,811
2024		528,090
2025		405,835
2026		142,789
Thereafter		318,163
Total	$	2,435,412

Note 7 - Operating Leases (Continued)

Total rent expense on these leases for 2021 and 2020 was $523,868 and $442,146, respectively.

Note 8 - Long-term Debt

Long-term debt at October 31 is as follows:

	2021	2020
Paycheck Protection Program (PPP) loan bearing interest at 1 percent and maturing on April 20, 2022. Under the terms of this program, the loan may be fully or partially forgiven if the loan proceeds are spent on qualifying expenses, staffing level and salary maintenance requirements are met, and the Center is deemed by the Small Business Administration (SBA) to have been eligible for the loan in the first place. The loan proceeds were spent during the year ended October 31, 2020 on qualifying costs. During 2021, the Center was granted full forgiveness by the SBA recorded as other revenue on the statement of activities and changes in net assets	$ -	$ 600,000
Less current portion	-	319,839
Long-term portion	$ -	$ 280,161

Interest expense for 2021 and 2020 was $0 and $3,922, respectively.

The Center had an available line of credit of up to $300,000 guaranteed by Rescued Treasures - Sterling Heights and Rescued Treasures - Waterford. The line of credit bore interest equal to prime plus 0.75 percent and is collateralized by the assets of the Center. Interest payments were due monthly. The line of credit expired on May 31, 2021 and has since been closed. No amounts were drawn during 2021 and 2020.

Note 9 - Net Assets with Donor Restrictions

Net assets with donor restrictions as of October 31, 2021 and 2020 are available for the following purposes:

	2021	2020
Contributions restricted for specific program use:		
Men's dorm renovations	$ -	$ 47,234
Day care renovations	23,912	94,146
Day care operations	799	43,000
Other	22,646	3,581
Total contributions restricted for specific program use	47,357	187,961
Time restrictions - Pledges and grants receivable	-	7,865
Time and purpose restrictions - Pledges and grants receivable	50,000	-
Total	$ 97,357	$ 195,826

Note 10 - 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 net assets without donor restrictions, and the designation may be removed at the board's discretion.

The board-designated endowment activity for the years ended October 31, 2021 and 2020 is as follows:

	2021	2020
Endowment - Beginning of year	$ 530,190	$ 333,968
Bequests	-	185,074
Investment income	2,921	2,592
Net appreciation	44,046	9,433
Expenses	(1,372)	(877)
Appropriations	(43,141)	-
Endowment - End of year	$ 532,644	$ 530,190

The investment income includes interest income earned on investments and interest income earned on cash accounts.

Note 11 - Related Party Transactions

The chief executive officer (CEO) of the Center is the pastor and CEO of Grace Gospel Fellowship Church in Pontiac, Michigan. The Center reimburses the Church for expenses paid by the Church on behalf of the Center. The Center reimbursed the Church $0 and $631 during 2021 and 2020, respectively. The Center had outstanding receivables from the Church of $2,555 and $0 for the years ended October 31, 2021 and 2020, respectively.

The Center received donations of $21,786 and $55,550 for the Church for the years ended October 31, 2021 and 2020, respectively. These funds were remitted to the Church.

In previous years, the Center was the sole member of Rescued Homes, LLC (Rescued Homes), an entity that provides short-term rental housing to graduates of center programs. As such, Rescued Homes was previously consolidated in the Center's financial statements. During 2020, the Center transferred its membership interest in Rescued Homes to the Church. Rescued Homes will continue its operations with the Church as its sole member. The Center received donations from Rescued Homes of $164,649 and $0 for the years ended October 31, 2021 and 2020, respectively. The Center received donations of $65,000 and $0 for Rescued Homes for the years ended October 31, 2021 and 2020, respectively. These funds were remitted to Rescued Homes.

Note 12 - Retirement Plans

As of January 2018, the Center sponsors a 401(k) plan, and the employer match is 3 percent. For the years ended October 31, 2021 and 2020, the Center made retirement contributions of $37,059 and $38,354, respectively.