



***BOAZ AND RUTH, INC.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED  
DECEMBER 31, 2019 and 2018  
(WITH INDEPENDENT AUDITOR'S REPORT THEREON)***

**BOAZ AND RUTH, INC.**

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Boaz and Ruth, Inc.  
Richmond, VA

### **Report on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of Boaz and Ruth, Inc.(a nonprofit organization) and its affiliates which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, 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 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 auditors' judgement, including 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 on 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 reasonable 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 Boaz and Ruth, Inc. and its affiliates as of December 31, 2019 and 2018, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*A. M. Reese & Associates, P. C.*

Richmond, Virginia  
May 28, 2020

**BOAZ AND RUTH, INC.**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

<b>Assets</b>	<u>2019</u>	<u>2018</u>
<b>Current Assets</b>		
Cash and cash equivalents	\$ 242,368	\$ 257,532
Accounts and grants receivable, less allowance for doubtful accounts of \$0 and \$0 respectively	12,015	18,726
Prepaid expenses	14,269	11,154
Donated real estate	275,000	-
Other assets	904	453
<b>Total Current Assets</b>	<u>544,556</u>	<u>287,865</u>
<b>Plant, Property and Equipment</b>		
Land	404,740	404,740
Buildings	1,456,897	1,447,593
Vehicles	25,875	25,875
Computer software and equipment	5,813	5,813
Office equipment	9,267	9,267
Café equipment	5,754	5,754
	<u>1,908,346</u>	<u>1,899,042</u>
Less accumulated depreciation	<u>(547,165)</u>	<u>(496,481)</u>
	<u>1,361,181</u>	<u>1,402,561</u>
<b>Other Assets</b>		
Loan costs, net accumulated amortization of \$2,234 and \$1,966, respectively	5,821	6,089
Prepaid expense, less current portion of \$8,866 and 5,227, respectively	24,426	36,527
	<u>30,247</u>	<u>42,616</u>
<b>Total Assets</b>	<u>\$ 1,935,984</u>	<u>\$ 1,733,042</u>
 <b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 9,046	\$ 8,483
Deferred revenue	15,716	12,260
Accrued expenses and employee payroll deductions	37,683	13,792
Other liabilities	5,110	3,321
Notes payable, current maturities of long-term debt	340,686	10,081
<b>Total Current Liabilities</b>	<u>408,241</u>	<u>47,937</u>
<b>Long-Term Liabilities</b>		
Deferred revenue, less current portion	24,426	36,527
Long-term debt, less current maturities	342,628	683,213
<b>Total Long-Term Liabilities</b>	<u>367,054</u>	<u>719,740</u>
<b>Total Liabilities</b>	<u>775,295</u>	<u>767,677</u>
<b>Net Assets</b>		
Net investment in capital assets	1,018,553	709,267
Without donor restrictions	142,136	254,196
With donor restriction	-	1,902
<b>Total Net Assets</b>	<u>1,160,689</u>	<u>965,365</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 1,935,984</u>	<u>\$ 1,733,042</u>

See Notes to Consolidated Financial Statements

**BOAZ AND RUTH, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and other support</b>			
Contributions - cash	\$ 207,851	\$ -	\$ 207,851
Contributions - non cash	282,515	-	282,515
Grants	40,000	-	40,000
Program revenue	241,338	-	241,338
Special events	-	-	-
Miscellaneous	145	-	145
Net assets released from restrictions	1,902	(1,902)	-
<b>Total revenue and other support</b>	<u>773,751</u>	<u>(1,902)</u>	<u>771,849</u>
<b>Expenses</b>			
Program services	457,585	-	457,585
Management	64,322	-	64,322
Fundraising	54,618	-	54,618
<b>Total Expenses</b>	<u>576,525</u>	<u>-</u>	<u>576,525</u>
<b>Change in Net Assets</b>	<u>197,226</u>	<u>(1,902)</u>	<u>195,324</u>
<b>Net assets, beginning of year</b>	963,463	1,902	965,365
<b>Net assets, end of year</b>	<u><u>\$ 1,160,689</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,160,689</u></u>

See Notes to Consolidated Financial Statements

**BOAZ AND RUTH, INC.**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**  
**AND CHANGES IN NET ASSETS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Without Donor Restriction</u>	<u>With Donor Restriction</u>	<u>Total</u>
<b>Revenue and other support</b>			
Contributions - cash	\$ 212,937	\$ 20,000	232,937
Contributions - non cash	\$ 12,297	-	12,297
Grants	59,000	-	59,000
Program revenue	198,198	-	198,198
Special events	-	-	-
Miscellaneous	2,084	-	2,084
Net assets released from restrictions	68,098	(68,098)	-
<b>Total revenue and other support</b>	552,614	(48,098)	504,516
<b>Expenses</b>			
Program services	392,620	-	392,620
Management	67,721	-	67,721
Fundraising	48,402	-	48,402
<b>Total Expenses</b>	508,743	-	508,743
<b>Change in Net Assets</b>	43,871	(48,098)	(4,227)
<b>Net assets, beginning of year</b>	919,592	50,000	969,592
<b>Net assets, end of year</b>	<u>\$ 963,463</u>	<u>\$ 1,902</u>	<u>\$ 965,365</u>

See Notes to Consolidated Financial Statements

**BOAZ AND RUTH, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	<b>Program Services</b>	<b>Management and General</b>	<b>Fund- Raising</b>	<b>Total Expenses</b>
Salaries and wages	\$ 164,946	\$ 19,312	\$ 39,762	\$ 224,020
Employee benefits	868	1,000	1,500	3,368
Payroll taxes	14,907	1,745	3,593	20,245
<b>Total salaries &amp; related expenses</b>	<b>180,721</b>	<b>22,057</b>	<b>44,855</b>	<b>247,633</b>
Bank charges	462	-	-	462
Board expenses	309	250	-	559
Depreciation and amortization	48,953	2,000	-	50,953
Dues and subscriptions	-	-	263	263
Information services expense	2,465	2,000	2,000	6,465
Insurance	19,737	2,000	1,000	22,737
Interest expense	17,000	1,000	-	18,000
Job training	1,242	-	-	1,242
Office expense	4,555	3,000	3,000	10,555
Postage and shipping	204	-	-	204
Printing and publications	784	2,000	2,000	4,784
Professional fees	32,752	17,015	-	49,767
Program	16,530	-	-	16,530
Repairs	39,963	3,000	-	42,963
Taxes & License	9,028	1,000	500	10,528
Telephone	3,140	2,000	1,000	6,140
Utilities	74,998	7,000	-	81,998
Vehicle expense	4,742	-	-	4,742
<b>Total Expenses</b>	<b>\$ 457,585</b>	<b>\$ 64,322</b>	<b>\$ 54,618</b>	<b>\$ 576,525</b>

See Notes to Consolidated Financial Statements



**BOAZ AND RUTH, INC.**  
**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Expenses</u>
Salaries and wages	\$ 123,317	\$ 27,634	\$ 35,904	\$ 186,855
Employee benefits	3,342	300	400	4,042
Payroll taxes	12,262	2,700	3,500	18,462
<b>Total salaries &amp; related expenses</b>	<b>138,921</b>	<b>30,634</b>	<b>39,804</b>	<b>209,359</b>
Bad debt expense	5,416	-	-	5,416
Bank charges	946	-	-	946
Board expenses	-	1,949	-	1,949
Depreciation and amortization	47,545	2,500	-	50,045
Dues and subscriptions	-	170	170	340
Information services expense	2,753	2,753	2,753	8,259
Insurance	18,668	1,000	-	19,668
Interest expense	16,334	750	-	17,084
Job training	4,760	-	-	4,760
Office expense	2,260	2,258	2,258	6,776
Postage and shipping	174	174	174	522
Printing and publications	1,377	1,350	1,350	4,077
Professional fees	27,400	15,000	-	42,400
Program	14,289	-	-	14,289
Repairs	28,232	3,100	-	31,332
Taxes & License	3,296	390	-	3,686
Telephone	1,893	1,893	1,893	5,679
Travel & entertainment	-	100	-	100
Utilities	77,020	3,700	-	80,720
Vehicle expense	1,336	-	-	1,336
<b>Total Expenses</b>	<b>\$ 392,620</b>	<b>\$ 67,721</b>	<b>\$ 48,402</b>	<b>\$ 508,743</b>

See Notes to Consolidated Financial Statements

**BOAZ AND RUTH, INC.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	<b>2018</b>
<b>Operating Activities</b>		
Change in net assets	\$ 195,324	\$ (4,227)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	50,953	50,045
Loss on disposal of equipment	-	-
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Accounts and grants receivable	6,711	(7,638)
Prepaid expenses	(3,115)	800
Other assets	(451)	(636)
Donated real estate	(275,000)	-
Increase (decrease) in liabilities:		
Accounts payable	562	(5,597)
Other liabilities	1,789	746
Accrued expenses and employee payroll deductions	23,891	(18,798)
<b>Net cash provided by (used in) operating activities</b>	664	14,695
 <b>Investing Activities- Net Cash</b>		
Purchase of property and equipment	(9,304)	(32,531)
Sale of property and equipment	-	-
<b>Net cash used in investing activities</b>	(9,304)	(32,531)
 <b>Financing Activities</b>		
Payments on notes	(9,980)	(53,058)
Increase in loan fees	3,456	183
<b>Net cash provided by (used in) financing activities</b>	(6,524)	(52,875)
<b>Increase (decrease) in cash and cash equivalents</b>	(15,164)	(70,711)
<b>Cash and cash equivalents, beginning</b>	257,532	328,243
<b>Cash and cash equivalents, ending</b>	\$ 242,368	\$ 257,532
 <b>Supplemental Disclosures of Cash Flow Information</b>		
Interest paid	\$ 18,000	\$ 17,084
Noncash reduction of prepaid expenses and deferred revenue	\$ 8,645	\$ 8,430

See Notes to Consolidated Financial Statements

**Note 1. Nature of Business and Significant Accounting Policies**

**Nature of Business**

Boaz and Ruth, Inc. (the "Organization") is a non-profit, faith-based initiative designed to bridge the gap between those who possess wealth and privilege and those who do not. The Organization provides job training, life skills training, and educational opportunities to enable unemployed and under-employed individuals to move from poverty to self-sufficiency. The organization also provides affordable housing for individuals making at or below HUD's Area Median Income.

The Organization is the 100% owner of 1213 Giles, LLC, which was organized in 2007 to renovate rental properties. The entity is considered a disregarded entity for federal income tax purposes. Its assets, liabilities, and income and expense items have been consolidated in these financial statements.

The Organization is the 100% owner of Boaz and Ruth Community Development Corporation ("CDC"), which was established in 2007 to develop and manage real estate owned by HP Firehouse, LP, which is also owned 100% by the organization. Both are considered disregarded entities for federal income tax purposes. The assets, liabilities, and income and expense items have been consolidated in these financial statements.

**A summary of the Organization's significant accounting policies follows:**

Principles of consolidation: These consolidated financial statements include the accounts of Boaz and Ruth, Inc., 1213 Giles, LLC, Boaz and Ruth Community Development Corporation, and HP Firehouse, LP. All intercompany balances and transactions have been eliminated.

Financial statement presentation: Under the accounting standard regarding "Financial Statements of Not-for-Profit Organizations", the Organization is required to report information regarding its consolidated financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions. The net asset classes are summarized below.

The net assets without donor restriction class includes the general assets and liabilities of the Organization. Revenue and support received by the Organization without explicit donor restrictions that specify how the donated asset must be used or maintained are reported as unrestricted to the Organization. In general, the net assets without donor restrictions of the Organization may be used at the discretion of the Organization's management and Board of Directors to support the Organization's purpose and operations.

The net assets with donor restrictions class includes funds available for support of the Organization's activities, which are expendable only for purposes specified by the donor or within a specific period. When a restriction expires either with the passage of time or by actions of the Organization, net assets with donor restrictions are released and reclassified to net assets without donor restrictions.

Cash equivalents: For purposes of the consolidated statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

## BOAZ AND RUTH, INC. - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### **Note 1. Nature of Business and Significant Accounting Policies (Cont'd)**

Accounts, grants, and pledges receivable: The Organization is routinely involved in programs that result in unsecured receivables, like those associated with commercial businesses. Receivables are deemed past due if payments are not received by the due date stated on the billing statement. Past due accounts are not charged a monthly finance charge on the past due balance. Uncollectible receivables resulting from this type of transaction are charged to expense in the year an account is determined to be uncollectible. Pledges receivable represent funds that the Organization will receive during the next fiscal year.

Accounts, grants, and pledges receivable are periodically evaluated for collectability based on past credit history and current financial condition. If necessary, an allowance for loss on accounts, grants and pledges receivable is provided based on management's evaluation of the collectability of individual accounts, grants, and pledge receivable balances.

Revenue recognition: Contributions which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been substantially met. Contributions are without donor restrictions unless specifically restricted by the donor. Program support grants are recognized as revenue at the time of award if they are unconditional.

The Organization reports grants and contributions as net assets with donor restrictions if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets are released and reclassified to net assets without restrictions in the statement of activities. However, if restrictions on grants and contributions are met in the same reporting period as the grant or contribution is received, the revenues are reported as increases in net assets without donor restrictions.

Revenues from exchange contracts and cost reimbursement grants are recognized to the extent allowable expenses are incurred under the respective agreements. Amounts reported as accounts and grants receivable include exchange contract and grant program expenses incurred in advance of the receipt of funds as well as amounts billed for program support grants that have been awarded but not received. Funds received in advance of exchange contract and grant program expenses are reported as deferred revenue.

Property and equipment: Property and equipment are stated at cost. Acquisitions of new buildings, equipment and land improvements, and major betterments are capitalized. Repairs and maintenance costs are expensed as incurred. Depreciation is provided by use of the straight-line method and accelerated methods over the following estimated useful lives of the assets:

<b>Asset Description</b>	<b>Years</b>
Building	30-39
Office and computer equipment	5-7
Automotive equipment	5
Cafe equipment	5
Computer software	3

**Note 1. Nature of Business and Significant Accounting Policies (Cont'd)**

In-kind services: Donated services are recorded at fair market value at the date of the donation. Donated services are recognized in the consolidated financial statements at their fair value if the following criteria are met:

- i) The services require specialized skills and the services are provided by individuals possessing those skills, and the services would typically need to be purchased if not donated, or
- ii) The services enhance or create an asset.

Although the Organization utilizes the services of many outside volunteers, the fair value of these services is not recognized in the accompanying consolidated financial statements since they do not meet the criteria for recognition under generally accepted accounting principles.

For the year ended December 31, 2019 and 2018 the Organization received contributed services in the amount of \$7,515 and \$12,297 for legal services. The legal services were used for corporate maintenance and real estate rental and development. The total amounts were also included as contributions.

Donated real estate and materials: Donated materials received by the Organization are not recorded in the consolidated financial statements if the estimated fair value cannot be reasonably determined due to a major uncertainty as to the future economic benefit and if the items cannot be used internally in the Organization's major programs and activities. Donated materials that can be used internally in the Organization's major programs and activities and for which there is not a major uncertainty as to the future economic benefit are recognized as contributions at the time of receipt at the estimated fair value. For the year ended December 2019, a house was donated to the organization valued at \$275,000. The amount is included in non-cash contributions on the statement of activities and donated real estate on the statement of financial position.

Income taxes: The Organization is exempt from Federal income taxes as an organization other than a private foundation under Section 501(c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to the Organization's tax-exempt purpose may be subject to taxation as unrelated business income. The Organization had no unrelated business income during the years ended December 31, 2019 and 2018. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1).

The Organization adopted the accounting standard regarding "Accounting for Uncertain Tax Positions". This standard provides detailed guidance for consolidated financial statement recognition, measurement, and disclosure of uncertain tax positions recognized in the Organization's consolidated financial statements. It requires an entity to recognize the consolidated financial statement impact of a tax position when it is more likely than not that the position will not be sustained upon examination. The tax years of 2016 to 2018 remain subject to examination by the taxing authorities.

The Organization includes penalties and interest assessed by income taxing authorities in operating expenses. The Organization had penalties and interest expense for the years ended December 31, 2019 and 2018 of less than \$200 per year included in payroll taxes.

## BOAZ AND RUTH, INC. - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### Note 1. Nature of Business and Significant Accounting Policies (Cont'd)

Loan origination fees: Loan origination fees include fees and other external costs incurred to obtain debt financings and are generally amortized on a straight-line basis, over a period not to exceed the term of the related debt. Unamortized loan organization fees are written off when debt is retired before its maturity date. Amortization expense related to these loan origination fees amounted to \$268 and \$268 for the years ended December 31, 2019 and 2018, respectively.

Advertising cost: Advertising cost is expensed as incurred.

Use of estimates: The preparation of consolidated 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.

### Note 2. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes or periods.

	2019	2018
Capital Projects	\$ -0-	\$ -0-
Prison Re-entry Program	-0-	-0-
Development Coordinator & Grant Writer	-0-	1,902
Total	<u>\$ -0-</u>	<u>\$ 1,902</u>

Net assets were released from donor restrictions by incurring expenses satisfying the purpose restriction specified by grantors as follows:

Purpose restriction accomplished:	2019	2018
Capital Projects	\$ -0-	\$ 30,000
Prison Re-entry Program	-0-	25,000
Development Coord/Grant Writer	1,902	13,098
Total	<u>\$ 1,902</u>	<u>\$ 68,098</u>

### Note 3. Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date. Financial assets include cash and accounts receivables.

**BOAZ AND RUTH, INC. - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 3. Liquidity and Availability of Financial Assets (continued)**

	2019	2018
Financial assets at year-end	\$ 254,383	\$ 276,258
Less those unavailable for general expenditures within one year, due to donor restricted funds as in Note 2 above	-0-	1,902
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 254,383</u>	<u>\$ 274,356</u>

For the years ending December 2019 and 2018, the organization had 179 and 224 days of liquidity, respectively. This is based on the total expenses less non-cash expenses for depreciation, amortization, and donated services.

**Note 4. Long-Term Debt**

	2019	2018
<u>Union First Market Bank:</u>		
5.150%, payable in monthly installments of \$1,816 per month including interest and one irregular payment estimated at \$30,968, due, June 2018 secured by real estate. The loan was paid off in full December 2018.	\$ -0-	\$ -0-
5.150%, payable in monthly installments of \$643 per month including interest through April 2018. The note was modified beginning May 2018 with monthly installment of \$642 including interest and one irregular payment estimated at \$49,178 until August 2023 secured by real estate.	64,552	68,794
5.150%, payable in monthly installments of \$914 per month including interest through April 2018. The note was modified beginning May 2018 with monthly installment of \$922 including interest and 1 irregular payment estimated at \$77,739 until April 2023 secured by real estate	98,762	104,500
<u>Department of Housing and Community Development (DHCD),</u> as of August 2018, 0% interest deferred until November 9, 2020. At the end of the HOME affordability period of November 2020, the loan will be forgiven in full as well as the accrued interest and late fees. Prior to 2018, interest only at rate of 3.66% annual with payment of 1.00%, secured by real estate	330,000	330,000
<u>SunTrust Bank,</u> 0% interest, subordinated, deferred until December 1, 2024 at which time the principal portion of the loan shall be due in full at maturity, secured by real estate. Notwithstanding anything herein to the contrary, at such time, the Organization has satisfied in full all of its obligations under the FHL Bank of Atlanta Affordable Housing Program Agreement (Rental Project), the loan shall be deemed satisfied in full.	190,000	190,000
Total Long-Term Debt	<u>\$ 683,314</u>	<u>\$ 693,294</u>

**BOAZ AND RUTH, INC. - NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Note 4. Long-Term Debt (continued)**

The Organization has determined in accordance with generally accepted accounting principles that given the 0% interest rate on the long-term \$190,000 SunTrust Bank and \$330,000 DHCD notes payable that an asset and liability should be recognized for an amount equal to the present value of the interest expense incurred over the term of the notes with offsetting contribution revenue related to the fact no interest payments are required to be made to SunTrust Bank and DHCD over the life of the loans . A discount rate of 3.50% on SunTrust and 1.00% on DHCD was used in determining the present value of the prepaid expense asset and deferred revenue liability and annual amounts will be amortized over the life of the loans and recognized in both revenues and expenses. Interest expense and contribution revenue was recognized in the amount of \$5,410 and \$5,227 for the years ended December 31, 2019 and 2018, respectively for SunTrust loan and \$3,235 and \$3,203 for the years ended December 31, 2019 and 2018, respectively for DHCD loan. Amounts included in prepaid expenses and deferred revenue related to the present value discount of the notes are \$33,292 and \$41,937 as of December 31, 2019 and 2018, respectively.

The aggregate maturities of long-term debt by year are as follows:

	<b>2019</b>	<b>2018</b>
2019	\$ -0-	\$ 10,081
2020	340,686	340,607
2021	11,244	11,161
2022	11,831	11,743
2023	12,449	12,356
2024	203,099	203,099
Later years	104,005	104,247
Total	<u>\$ 683,314</u>	<u>\$ 693,294</u>

Interest expense on all notes payable amounted to \$18,000 and \$17,084 for the years ended December 31, 2019 and 2018, respectively.

**Note 5. Lease**

The organization leases office equipment under a non-cancelable operating lease. The lease provides for minimum lease payments of \$217 per month until April 2020 for a copier/printer. The future minimal lease payments for the year ended December 31, 2019 and 2020 are \$2,604 and \$868 respectively for a total of \$3,472. Lease expense for 2019 and 2018 is \$2,604 for each year and recorded in office expense.



**Note 6. Functional Allocation of Expenses**

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated based on estimates of time and effort, as well as depreciation, interest, and utilities, which are allocated based on square footage. Telephone, and office related expenses are allocated based on percentage of use.

**Note 7. Cathedral Apprentice Allocation and Capitalized Salaries Expense**

The Organization operates a program called Cathedral Apprentices in which trainees learn building repairs and restoration. The Organization utilizes this group in its own building renovations. Allocation of the cost of this labor is included in program revenue and program expense in the accounting records of the Organization. There was no activity for this program in 2019.

**Note 8. Subsequent Events**

Management has evaluated events through May 28, 2020, the date which the financial statements were available for issue. As of March 2020, the organization's office and store have been closed to the public due to the National Covid 19 Pandemic. It is not known as of this date when they will reopen to the public. The employees and board continue to conduct business. It has not been determined at this time what effect the Pandemic will have on the finances of the organization. The house donated to the organization was sold for \$275,000 in May 2020.