Rebound, Inc.

FINANCIAL STATEMENTS

For the Years Ended
October 31, 2019 and 2018

Rebound, Inc.
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For the Years Ended October 31, 2019 and 2018

Boeckermann Grafstrom Mayer

Independent Auditors' Report

Board of Directors
Rebound, Inc.
Minneapolis, Minnesota

Report on the Financial Statements
We have audited the accompanying financial statements of Rebound, Inc. (a non-profit organization), which comprise the statements of financial position as of October 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Rebound, Inc. as of October 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Boeckermann Grafstrom + Mayer, LLC

BOECKERMANN GRAFSTROM & MAYEER, LLC
Certified Public Accountants

St. Paul, Minnesota
February 13, 2020

Rebound, Inc.
Statements of Financial Position
October 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	$ 40,601	$ 116,368
Accounts Receivable	153,505	136,852
Prepaid Expenses	2,025	1,500
Total Current Assets	$ 196,131	$ 254,720
PROPERTY AND EQUIPMENT		
Buildings	$ 199,000	$ -
Building Improvements	36,277	-
Furniture and Equipment	10,252	10,252
Leasehold Improvements	7,507	-
Vehicles	30,157	17,464
	$ 283,193	$ 27,716
Less Accumulated Depreciation	17,862	6,823
Net Property and Equipment	$ 265,331	$ 20,893
OTHER ASSETS		
Security Deposits	$ 2,165	$ 2,165
TOTAL ASSETS	$ 463,627	$ 277,778
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Account Payable	$ 10,561	$ 3,195
Accrued Expenses	30,327	27,538
Current Portion of Long-Term Debt	12,399	1,857
Total Current Liabilities	$ 53,287	$ 32,590
LONG-TERM DEBT, Net of Current Portion	$ 139,192	$ 1,908
NET ASSETS		
Without Donor Restrictions	$ 227,365	$ 243,280
With Donor Restrictions	43,783	-
Total Net Assets	$ 271,148	$ 243,280
TOTAL LIABILITIES AND NET ASSETS	$ 463,627	$ 277,778

See Independent Auditors’ Report and the Notes to Financial Statements

Rebound, Inc.
Statement of Activities
For the Years Ended October 31, 2019

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Special Events			
Income	$ 17,979	$ -	$ 17,979
Less Direct Costs	(21,818)	-	(21,818)
Net Support from Special Events	$ (3,839)	$ -	$ (3,839)
Contributions	1,859	-	1,859
Total Support	$ (1,980)	$ -	$ (1,980)
Revenue			
Program Service Income	$ 1,210,840	$ -	$ 1,210,840
Grant Income	30,000	93,450	123,450
Interest	1,955	-	1,955
Total Revenue	$ 1,242,795	$ 93,450	$ 1,336,245
TOTAL SUPPORT AND REVENUE	$ 1,240,815	$ 93,450	$ 1,334,265
EXPENSES			
Program Services	$ 1,125,038	$ -	$ 1,125,038
Management and General	181,359	-	181,359
Fundraising	-	-	-
Total Expenses	$ 1,306,397	$ -	$ 1,306,397
CHANGE (DECREASE) IN NET ASSETS	$ (65,582)	$ 93,450	$ 27,868
NET ASSETS - Beginning of Year	243,280	-	243,280
Net Assets Released from Restriction	$ 49,667	$ (49,667)	-
NET ASSETS - End of Year	$ 227,365	$ 43,783	$ 271,148

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statement of Activities
For the Years Ended October 31, 2018

	2018		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
SUPPORT AND REVENUE			
Support			
Contributions	15,876	-	15,876
Total Support	$ 15,876	$ -	$ 15,876
Revenue			
Program Service Income	$ 1,120,749	$ -	$ 1,120,749
Interest	61	-	61
Total Revenue	$ 1,120,810	$ -	$ 1,120,810
TOTAL SUPPORT AND REVENUE	$ 1,136,686	$ -	$ 1,136,686
EXPENSES			
Program Services	$ 804,949	$ -	$ 804,949
Management and General	127,604	-	127,604
Fundraising	2,840	-	2,840
Total Expenses	$ 935,393	$ -	$ 935,393
CHANGE (DECREASE) IN NET ASSETS	$ 201,293	$ -	$ 201,293
NET ASSETS - Beginning of Year	$ 41,987	$ -	$ 41,987
Net Assets Released from Restriction	$ -	$ -	-
NET ASSETS - End of Year	$ 243,280	$ -	$ 243,280

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statements of Functional Expenses
For the Year Ended October 31, 2019

	Program Services					Management		
	Group Homes	Mentoring	Trauma	After Care	Total	and General	Fundraising	Total
Salaries and Wages	$ 578,538	$ 51,425	$ 71,294	$ 34,768	$ 736,025	$ 112,384	$ -	$ 848,409
Payroll Taxes	45,413	3,934	5,454	2,660	57,461	8,586	-	66,047
Employee Benefits	8,945	2,724	3,846	940	16,455	2,513	-	18,968
Contract Services	12,871	-	-	-	12,871	-	-	12,871
Insurance	31,602	301	-	-	31,903	10,634	-	42,537
Auto Expense	3,101	-	-	-	3,101	-	-	3,101
Licenses and Permits	4,758	-	-	-	4,758	-	-	4,758
Dues and Subscriptions	-	-	-	-	-	2,131	-	2,131
Bank and Payroll Fees	-	-	-	-	-	2,930	-	2,930
Miscellaneous expense	-	-	-	-	-	1,236	-	1,236
Office Expense	-	-	-	-	-	260	-	260
Supplies	1,259	1,353	7,135	1,329	11,076	4,016	-	15,092
Professional fees	5,888	-	-	-	5,888	8,224	-	14,112
Program Activities and Expenses	94,011	5,625	18,898	3,003	121,537	-	-	121,537
Interest	7,415	-	-	-	7,415	-	-	7,415
Rent	24,300	1,335	4,330	-	29,965	20,315	-	50,280
Repairs and Maintenance	24,594	53	-	-	24,647	-	-	24,647
DHS Net Study	346	-	-	-	346	-	-	346
Staff Development	-	2,367	13,940	-	16,307	6,105	-	22,412
Other Program Expense	-	-	650	667	1,317	-	-	1,317
Meeting Expense	-	-	-	-	-	225	-	225
Utilities	18,992	318	-	-	19,310	1,800	-	21,110
Property Taxes	882	-	-	-	882	-	-	882
Security	2,571	-	-	-	2,571	-	-	2,571
Loss on Asset Disposal	6,331	-	-	-	6,331	-	-	6,331
Depreciation and Amortization	14,872	-	-	-	14,872	-	-	14,872
TOTAL	$ 886,689	$ 69,435	$ 125,547	$ 43,367	$1,125,038	$ 181,359	$ -	$1,306,397

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statements of Functional Expenses
For the Year Ended October 31, 2018

	Program Services				Management		
	Group Homes	Mentoring	Trauma	Total	and General	Fundraising	Total
Salaries and Wages	$ 515,897	$ 36,361	$ 17,000	$ 569,258	$ 96,986	$ -	$ 666,244
Payroll Taxes	31,997	2,782	1,301	36,080	6,367	-	42,447
Employee Benefits	2,957	2,468	1,199	6,624	1,169	-	7,793
Contract Services	12,672	-	-	12,672	-	-	12,672
Advertising	-	-	-	-	-	2,765	2,765
Insurance	13,883	156	-	14,039	4,679	-	18,718
Auto Expense	3,248	-	-	3,248	-	-	3,248
Licenses and Permits	4,245	-	-	4,245	-	-	4,245
Dues and Subscriptions	-	-	-	-	1,155	-	1,155
Bank and Payroll Fees	1,197	-	-	1,197	436	-	1,633
Office Expense	2,814	-	-	2,814	311	-	3,125
Supplies	5,777	2,087	999	8,863	-	-	8,863
Professional fees	5,888	-	-	5,888	1,962	-	7,850
Program Activities and Expenses	57,973	40	-	58,013	-	-	58,013
Interest	1,488	-	-	1,488	-	-	1,488
Rent	39,900	472	722	41,094	10,588	-	51,682
Repairs and Maintenance	11,183	-	-	11,183	-	-	11,183
DHS Net Study	635	-	-	635	-	-	635
Staff Development and Training	-	1,263	4,250	5,513	3,059	75	8,647
Meeting Expense	-	-	-	-	337	-	337
Utilities	16,692	194	-	16,886	555	-	17,441
Loss on Asset Disposal	779	-	-	779	-	-	779
Depreciation	4,430	-	-	4,430	-	-	4,430
TOTAL	$ 733,655	$ 45,823	$ 25,471	$ 804,949	$ 127,604	$ 2,840	$ 935,393

Rebound, Inc.
Statements of Cash Flows
For the Years Ended October 31, 2019 and 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Change (Decrease) in Net Assets	$ 27,868	$ 201,293
Adjustments to Reconcile Change (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	14,872	4,430
Loss on Asset Disposal	6,331	779
Amortization on Debt Issuance Costs	85	-
Changes in Operating Assets and Liabilities		
Accounts Receivable	(16,653)	(102,202)
Prepaid Expenses	(525)	342
Security Deposits	-	(2,165)
Accounts Payable and Accrued Liabilities	10,155	(2,437)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$ 42,133	$ 100,040
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Assets	$ 550	$ -
Property and Equipment Purchases	(100,534)	(6,396)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	$ (99,984)	$ (6,396)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Note Payable from Board Member	$ -	$ 16,000
Payments on Note Payable to Board Member	-	(16,000)
Payments of Debt Issuance Costs	(1,313)	-
Payments on Notes Payable	(3,142)	(1,805)
Payments on Mortgage Payable	(13,461)	-
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	$ (17,916)	$ (1,805)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	$ (75,767)	$ 91,839
CASH AND CASH EQUIVALENTS - Beginning of Year	116,368	24,529
CASH AND CASH EQUIVALENTS - End of Year	$ 40,601	$ 116,368

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Rebound, Inc. (the Organization) is a Minnesota nonprofit corporation, located in Minneapolis, Minnesota, organized on November 4, 2014 to provide services to African American youth ages 14-21 involved in the juvenile justice system with the goal of successfully reintegrating them into their families and communities through group homes called Jordan House and Naima House. These services include screening and assessment, social and interpersonal skill development, chemical use and abuse awareness, correctional programming, transition and life skill development, opportunities for physical exercise and recreation, and access community resources to meet educational, medical, dental, mental health and chemical dependency needs of its residents. In addition to the group homes, the Organization provides a one-on-one mentorship program for corrections involved youth; provides a family resilience program to prevent justice system involvement in African American youth that show signs of traumatic stress; and provides an after care program for youth that have been in Organization's the group homes and are transitioning back to family and community.

Standards of Accounting and Financial Reporting

The Organization follows Accounting Standards Codification (ASC) 958. Under the provisions of these standards, net assets and revenues, gains, and losses are classified based on donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

- <u>Net Assets Without Donor Restrictions</u> - Resources over which the Board of Directors has discretionary control. Designated amounts represent those revenues which the Board has set aside for a particular purpose. All property, equipment, and related debt are considered unrestricted.

- <u>Net Assets With Donor Restrictions</u>

    - Resources subject to donor-imposed restrictions which will be satisfied by actions of the Organization or passage of time. Net assets restricted to specific actions or the passage of time were $43,783 and $0 as of October 31, 2019 and 2018, respectively.

    - Resources subject to donor-imposed restrictions that require the resources to be maintained permanently by the Organization. The donors of such resources permit the use of all or part of the income earned, including capital appreciation or related investments, for unrestricted or temporarily restricted purposes. The Organization has no net assets required to be permanently maintained as of October 31, 2019 or 2018.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

Fair Value Measurements
The estimated fair values of the Organization's short-term financial instruments, including receivables and payables arising in the ordinary course of business, approximate their individual carrying amounts due to the relatively short period of time between their origination and expected realization.

Revenue Recognition
Program service revenues are recorded and recognized during the period the service is provided.

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as donations with restrictions until the donor-imposed restrictions expire or are fulfilled, unless the restrictions expire or are fulfilled in the same calendar year the contribution is received, in which case the contribution is recorded as donations without restrictions. Net assets with donor restrictions are reclassified to net assets without donor restrictions in the period donor-imposed restrictions expire or are fulfilled.

Donated services, materials and equipment and facilities are recorded at their fair market value at the date they are received, if significant and measurable. The Organization received donated materials totaling $0 and $7,100 for years ended October 31, 2019 and 2018, respectively.

The Organization utilizes and relies upon the services of volunteers; however, there is no reasonable basis for estimating the value of the services and, accordingly, no support or corresponding program service expense has been reflected in these financial statements.

Cash and Cash Equivalents
The Organization considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. At times, cash and cash equivalents may be in excess of FDIC insurance limits.

Accounts Receivable
Accounts receivable represents amounts due from county agencies. The Organization does not require collateral to support its outstanding receivables. Substantially all amounts are expected to be collected within one year. No interest is accrued on accounts receivable.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable (Continued)
The Organization has determined that an allowance for doubtful accounts is not currently required. Bad debts are expensed when determined to be uncollectible. Bad debt expense was $0 for the years ended October 31, 2019 and 2018.

Property and Equipment
Purchase of property and equipment are recorded at cost. Improvements and replacements of property and equipment are capitalized. Maintenance and repairs that do not improve or extend the lives of property and equipment are charged to expense as incurred. When assets are sold or retired, their cost and related accumulated depreciation are removed from the accounts and any gain or loss is reported in the *Statements of Activities*. Depreciation is provided over the estimated economic useful lives of each class of assets and is computed using the straight-line method. Total depreciation expense was $14,872 and $4,430 for the years ended October 31, 2019 and 2018, respectively.

Estimated economic useful lives of property and equipment range from 5 to 27.5 years.

Security Deposits
The security deposits are held by landlords for facilities as related to long-term leases.

Debt Issuance Costs
Debt issuance costs are amortized over the life of the debt using the straight-line method. Amortization of debt issuance costs was $204 and $0 for the years ended October 31, 2019 and 2018, respectively.

Accrued Vacation Time
Accrued vacation is recognized when earned. Paid vacation is available for salaried employees and employees earn 3.08 hours each pay period up to a maximum of 80 hours. Salaried employees that leave the Organization are paid the hours of accrued vacation time with their final paycheck.

Functional Expense Allocation
The costs of providing various programs and other activities have been summarized on a functional basis in the *Statements of Activities* and the *Statements of Functional Expenses*. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on time and effort studies.

Advertising
Advertising costs are charged to operations when incurred. Advertising expense was of $0 and $2,765 for the years ended October 31, 2019 and 2018, respectively.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes
The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and the comparable section of the Minnesota Income Tax Statutes. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and contributions by donors are tax deductible. During the year ended October 31, 2019 and 2018, the Organization had no unrelated business income.

The Financial Accounting Standards Board issued guidance on accounting for uncertainty in income taxes. Management evaluated the Community's tax positions and concluded that the Organization had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provision of this guidance. The Organization is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for years before 2015. Interest and penalties are classified as expense as incurred.

Subsequent Events
The Organization evaluated for the occurrence of subsequent events through February 13, 2020, the date which the financial statements were available for issue. No subsequent events occurred, except as noted in NOTE 11.

Reclassifications
Certain reclassifications have been made in the 2018 financial statements to conform to classifications used in 2019.

New Accounting Pronouncements
Effective January 1, 2019, the Organization has adopted ASU 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, "net assets with donor restrictions" and "net assets without donor restrictions", and expands disclosures about the nature and amount of any donor restrictions. This standard was retroactively applied to the year ended October 31, 2018.

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), to supersede nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity is expected to be entitled for those goods or services.

NOTE 1: NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements (*Continued*)
ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than required under existing U.S. GAAP, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price, and allocating the transaction price to each performance obligation. ASU 2014-09, was deferred one year by ASU 2015-14, will be effective for annual reporting periods beginning after December 15, 2018, using either of two methods: (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within ASU 2014-09; or (b) retrospective with the cumulative effect of initially applying ASU 2014-09 recognized at the date of initial application and providing certain additional disclosures as defined in ASU 2014-09. The Organization has not yet selected a transition method and is currently evaluating the impact of the pending adoption of ASU 2014-09 on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of the pending adoption of the new standard on the financial statements.

NOTE 2: LIQUIDITY

The Organization has $194,106 of financial assets available within one year of the date of the Statement of Financial Position as of October 31, 2019 to meet cash needs for general expenditure, consisting of cash of $40,601 and accounts receivable of $153,505. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year. The Organization has a goal to maintain financial assets, which consist of cash, on hand to meet 60 days of normal operating expenses, which are, on average, approximately $110,000. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 3: LINE OF CREDIT

The Organization has a line of credit with Royal Credit Union for $35,000 that was extended to November 23, 2020. Interest is variable at the Prime Rate as reported in the Wall Street Journal (4.75% and 5.25% at October 31, 2019 and 2018, respectively), adjusted to a minimum rate of 7.5%. The line of credit is secured by personal guarantees of two board members. No balance was due on the line of credit at October 31, 2019 and 2018.

NOTE 4: LONG-TERM DEBT

Long-term debt at October 31, 2019 and 2018 consisted of the following:

	2019	2018
Note payable to Royal Credit Union, 2.79%, monthly payment of $162, due October 5, 2020, secured by the vehicle.	$ 1,909	$ 3,765
Note payable to Royal Credit Union, 3.99%, monthly payment of $485, due July 5, 2022, secured by the vehicle.	15,121	-
Mortgage payable to Royal Credit Union, 6.31%, adjusted every quarter starting on January 1, 2022 to the prime rate plus 1 .0 percentage points, monthly payment of $1,105, due January 1, 2039, secured by property and building.	138,271	-
Unamortized Debt Issuance Costs	(3,710)	-
Total Mortgages Payable	$ 151,591	$ 3,765
Less Current Portion	12,399	1,857
Long-Term Debt	$ 139,192	$ 1,908

NOTE 4: LONG-TERM DEBT (Continued)

The current maturities are as follows:

2020	$	12,529
2021	$	10,411
2022	$	9,476
2023	$	5,641
2024	$	5,991
Thereafter	$	110,025

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of funding for the After Care Program. The donor restriction for the After Care Program was received in 2019 from grantors to be used to assist youth in the program. Restricted contributions received were $93,450 and $0 for the years ended October 31, 2019 and 2018, respectively. Amounts used and released were $49,667 and $0 for the years ended October 31, 2019 and 2018, respectively. Net assets with donor restrictions were $43,783 and $0 at October 31, 2019 and 2018, respectively

NOTE 6: LEASES

The Organization entered into an operating lease agreement for Jordan House with the Organization's Executive Director and Co-Founder that expired on December 31, 2019. The monthly payments were $1,500. The lease was renewed on January 1, 2020 and will automatically renewed for one year. The new monthly payments are $1,500.

On September 1, 2017, the Organization entered into an operating lease agreement for office space with St. Olaf Residence Inc. for office space that expired on June 30, 2018. The monthly payments were $392.

On July 1, 2017, the Organization entered into an operating lease agreement for office space with The Sanctuary Covenant Church, Inc. for office space that expired on June 30, 2019. The Organization exercised its one year renewal option. The lease is a net lease. The Organization is responsible for operating expenses such as insurance, utilities, and repairs and maintenance. The Organization is also responsible for their proportionate share of real estate taxes and common area expenses. The monthly base rent payments are $1,787.

On November 1, 2017, the Organization entered into an operating lease agreement with an individual for a second group home that expired on January 31, 2019. The monthly payments for the first three months were $1,000 and thereafter were $2,100.

NOTE 6: LEASES (Continued)

The rent expense was $50,280 and $51,682 for the years ended October 31, 2019 and 2018, respectively.

The minimum annual rental commitments are as follows:

2020	$	32,296
2021	$	18,000
2022	$	3,000
Thereafter	$	-

NOTE 7: BENEFIT PLAN

Beginning in June 2019, the Organization offers a SIMPLE IRA for all employees. Participant contributions cannot exceed the maximum allowable contribution permitted under the Internal Revenue Code. The Organization provides a matching contribution of 3% of participant contributions. Participant and matching contributions are 100% vested. Contributions to the plan were $0 for the year ended October 31, 2019.

NOTE 8: CONCENTRATIONS

The Organization receives a substantial amount of its revenue from Hennepin and Ramsey Counties. Any significant reduction in this level of funding, if this were to occur, would have a significant effect on the Organization's activities.

During 2019 and 2018, the Organization had two customers whose revenues accounted for approximately 99% of its total revenue. Two customers accounted for approximately 100% of the Organization's accounts receivable for the year ended October 31, 2019 and 2018.

NOTE 9: RELATED PARTIES

The Organization leases a group home from the Organization's Executive Director and Co-Founder (see Note 6).

NOTE 10: SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was $7,126 and $1,488 for the years ended October 31, 2019 and 2018, respectively.

Cash paid for income taxes was $0 for the years ended October 31, 2019 and 2018.

During the year ended October 31, 2019 the Company financed the purchase of a vehicle with Royal Credit Union. Noncash loan proceeds of $16,407 were disbursed directly to the dealership.

During the year ended October 31, 2019 the Company financed the purchase of a house with Royal Credit Union. Noncash loan proceeds of $149,250 were disbursed directly to the seller of the property.

NOTE 11: SUBSEQUENT EVENTS

On January 14, 2020, the Organization signed a purchase agreement for a house in St. Paul that would be another group home for young men for $225,000. Management expects the closing to take place in February or March 2020.

On February 3, 2020, the Organization received an order for judgement regarding an unpaid wage claim brought by a former employee. Management believed the claim was without merit however, the judgement ruled against the Organization. As a result of the judgement, a liability $412 was recorded to the Statement of Financial Position for the year ended October 31,2019.