

Rebound, Inc.

FINANCIAL STATEMENTS

**For the Years Ended
October 31, 2021 and 2020**

Rebound, Inc.

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For the Years Ended October 31, 2021 and 2020

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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, 2021 and 2020, 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, 2021 and 2020, 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 8, 2022

Rebound, Inc.
Statements of Financial Position
October 31, 2021 and 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 857,112	\$ 244,550
Accounts Receivable	356,759	298,914
Prepaid Expenses	<u>11,916</u>	<u>2,570</u>
Total Current Assets	<u>\$ 1,225,787</u>	<u>\$ 546,034</u>
PROPERTY AND EQUIPMENT		
Buildings	\$ 424,000	\$ 424,000
Building Improvements	36,277	36,277
Furniture and Equipment	15,498	15,498
Leasehold Improvements	7,507	7,507
Vehicles	<u>60,158</u>	<u>45,204</u>
	\$ 543,440	\$ 528,486
Less Accumulated Depreciation	<u>72,052</u>	<u>39,873</u>
Net Property and Equipment	<u>\$ 471,388</u>	<u>\$ 488,613</u>
OTHER ASSETS		
Security Deposits	<u>\$ 2,165</u>	<u>\$ 2,165</u>
Total Other Assets	<u>\$ 2,165</u>	<u>\$ 2,165</u>
TOTAL ASSETS	<u>\$ 1,699,340</u>	<u>\$ 1,036,812</u>
<u>LIABILITIES AND NET ASSETS</u>		
CURRENT LIABILITIES		
Account Payable	\$ 46,660	\$ 29,569
Accrued Expenses	73,024	68,145
Current Portion of Long-Term Debt	<u>14,197</u>	<u>20,113</u>
Total Current Liabilities	<u>\$ 133,881</u>	<u>\$ 117,827</u>
LONG-TERM DEBT, Net of Current Portion	<u>\$ 204,655</u>	<u>\$ 295,010</u>
NET ASSETS		
Without Donor Restrictions	\$ 1,199,742	\$ 596,230
With Donor Restrictions	<u>161,062</u>	<u>27,745</u>
Total Net Assets	<u>\$ 1,360,804</u>	<u>\$ 623,975</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,699,340</u>	<u>\$ 1,036,812</u>

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statement of Activities
For the Years Ended October 31, 2021

	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Contributions	\$ 11,048	\$ -	\$ 11,048
Total Support	\$ 11,048	\$ -	\$ 11,048
Revenue			
Program Service Income	\$ 2,005,472	\$ -	\$ 2,005,472
Grant Income	97,917	220,001	317,918
Grant Income - Pandemic	-	241,903	241,903
Interest	4,806	-	4,806
Total Revenue	\$ 2,108,195	\$ 461,904	\$ 2,570,099
TOTAL SUPPORT AND REVENUE	\$ 2,119,243	\$ 461,904	\$ 2,581,147
EXPENSES			
Program Services	\$ 1,631,970	\$ -	\$ 1,631,970
Management and General	188,665	-	188,665
Fundraising	23,683	-	23,683
Total Expenses	\$ 1,844,318	\$ -	\$ 1,844,318
CHANGE (DECREASE) IN NET ASSETS	\$ 274,925	\$ 461,904	\$ 736,829
NET ASSETS - Beginning of Year	596,230	27,745	623,975
Net Assets Released from Restriction	328,587	(328,587)	-
NET ASSETS - End of Year	\$ 1,199,742	\$ 161,062	\$ 1,360,804

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statement of Activities
For the Years Ended October 31, 2020

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Support			
Contributions	<u>11,111</u>	<u>3,370</u>	<u>14,481</u>
Total Support	\$ 11,111	\$ 3,370	\$ 14,481
Revenue			
Program Service Income	\$ 1,490,299	\$ -	\$ 1,490,299
Grant Income	66,201	35,038	101,239
Grant Income - Pandemic	-	211,920	211,920
Interest	<u>1,958</u>	<u>-</u>	<u>1,958</u>
Total Revenue	<u>\$ 1,558,458</u>	<u>\$ 246,958</u>	<u>\$ 1,805,416</u>
TOTAL SUPPORT AND REVENUE	<u>\$ 1,569,569</u>	<u>\$ 250,328</u>	<u>\$ 1,819,897</u>
EXPENSES			
Program Services	\$ 1,314,508	\$ -	\$ 1,314,508
Management and General	136,739	-	136,739
Fundraising	<u>15,823</u>	<u>-</u>	<u>15,823</u>
Total Expenses	<u>\$ 1,467,070</u>	<u>\$ -</u>	<u>\$ 1,467,070</u>
CHANGE (DECREASE) IN NET ASSETS	\$ 102,499	\$ 250,328	\$ 352,827
NET ASSETS - Beginning of Year	227,365	43,783	271,148
Net Assets Released from Restriction	<u>266,366</u>	<u>(266,366)</u>	<u>-</u>
NET ASSETS - End of Year	<u>\$ 596,230</u>	<u>\$ 27,745</u>	<u>\$ 623,975</u>

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statements of Functional Expenses
For the Year Ended October 31, 2021

	Program Services							Total	Management and General	Fundraising	Total
	Group Homes	Mentoring	Trauma	After Care	AC Housing	Jeun Dara Food Program	Nguzo Saba After School				
Salaries and Wages	\$ 811,622	\$ 40,846	\$ 74,844	\$ 43,966	\$ -	\$ 24,755	\$ 22,525	\$1,018,558	\$ 104,031	\$ 22,230	\$1,144,819
Payroll Taxes	67,558	4,024	6,419	4,016	-	2,467	2,672	87,156	10,549	1,453	99,158
Employee Benefits	13,406	4,707	2,562	2,838	-	-	-	23,513	7,565	-	31,078
Contract Services	55,718	-	-	6,000	-	-	3,000	64,718	625	-	65,343
Insurance	42,666	1,641	2,487	3,602	-	494	-	50,890	1,441	-	52,331
Auto Expense	5,861	-	-	-	-	-	-	5,861	-	-	5,861
Licenses and Permits	8,204	-	-	-	-	-	-	8,204	439	-	8,643
Dues and Subscriptions	-	-	-	-	-	-	-	-	2,309	-	2,309
Bank and Payroll Fees	15	-	-	-	-	-	-	15	3,287	-	3,302
Miscellaneous expense	1,215	66	127	77	-	-	-	1,485	(312)	-	1,173
Office Expense	1,280	446	120	-	-	-	10	1,856	1,071	-	2,927
Supplies	29,996	92	251	332	77	-	-	30,748	6,515	-	37,263
Professional fees	-	-	-	3,419	-	-	-	3,419	27,741	-	31,160
Program Activities and Expenses	67,720	5,800	22,504	5,335	-	44,350	5,143	150,852	876	-	151,728
Interest	17,505	-	-	-	-	-	-	17,505	-	-	17,505
Occupancy	65,814	4,264	5,579	3,355	-	750	3,975	83,737	3,599	-	87,336
Repairs and Maintenance	39,928	-	-	-	-	-	-	39,928	100	-	40,028
Staff Development	7,369	146	250	125	-	-	123	8,013	3,723	-	11,736
Other Program Expense	-	-	575	-	-	-	-	575	-	-	575
Meeting Expense	-	-	-	-	-	-	-	-	491	-	491
Property Taxes	1,925	-	-	-	-	-	-	1,925	-	-	1,925
Fundraising Expenses	-	-	-	833	-	-	-	833	14,615	-	15,448
Depreciation and Amortization	32,179	-	-	-	-	-	-	32,179	-	-	32,179
TOTAL	\$ 1,269,981	\$ 62,032	\$ 115,718	\$ 73,898	\$ 77	\$ 72,816	\$ 37,448	\$1,631,970	\$ 188,665	\$ 23,683	\$1,844,318

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.
Statements of Functional Expenses
For the Year Ended October 31, 2020

	Program Services						Total	Management and General	Fundraising	Total
	Group Homes	Mentoring	Trauma	After Care	Jeun Dara Food Program	Nguzo Saba After School				
Salaries and Wages	\$667,484	\$41,179	\$72,059	\$41,152	\$18,483	\$10,224	\$850,581	\$ 95,091	\$ 14,159	\$ 959,831
Payroll Taxes	53,143	3,279	5,737	3,276	1,472	814	67,721	7,248	1,122	76,091
Employee Benefits	13,523	839	1,468	838	377	208	17,253	1,929	287	19,469
Contract Services	55,984	-	-	-	-	-	55,984	-	-	55,984
Insurance	43,862	-	-	790	278	-	44,930	14,977	-	59,907
Auto Expense	7,894	-	-	-	-	-	7,894	-	-	7,894
Licenses and Permits	4,349	-	-	-	-	-	4,349	175	-	4,524
Dues and Subscriptions	-	-	15	-	-	-	15	1,724	-	1,739
Bank and Payroll Fees	-	-	-	-	-	-	-	658	-	658
Miscellaneous expense	1,807	(5)	78	61	-	306	2,247	-	-	2,247
Office Expense	185	111	45	45	-	17	403	45	-	448
Supplies	9,062	531	270	165	-	1,249	11,277	1,322	-	12,599
Professional fees	10,413	-	-	171	-	-	10,584	4,144	-	14,728
Program Activities and Expenses	56,483	1,981	18,157	4,558	21,243	1,791	104,213	-	-	104,213
Interest	14,144	-	-	-	-	-	14,144	1,335	-	15,479
Occupancy	52,714	3,285	4,924	2,010	7,291	2,500	72,724	6,807	-	79,531
Repairs and Maintenance	7,602	-	-	-	-	-	7,602	-	-	7,602
Staff Development	4,951	687	436	-	-	-	6,074	1,129	-	7,203
Other Program Expense	5,440	1,379	400	1,379	-	-	8,598	-	-	8,598
Meeting Expense	-	-	-	-	-	-	-	155	-	155
Property Taxes	954	-	-	-	-	-	954	-	-	954
Fundraising Expenses	-	-	-	-	-	-	-	-	255	255
Loss on Asset Disposal	1,125	-	-	-	-	-	1,125	-	-	1,125
Depreciation and Amortization	25,836	-	-	-	-	-	25,836	-	-	25,836
TOTAL	\$ 1,036,955	\$ 53,266	\$ 103,589	\$ 54,445	\$ 49,144	\$ 17,109	\$ 1,314,508	\$ 136,739	\$ 15,823	\$ 1,467,070

See Independent Auditors' Report and the Notes to Financial Statements

Rebound, Inc.**Statements of Cash Flows**For the Years Ended October 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change (Decrease) in Net Assets	\$ 736,829	\$ 352,827
Adjustments to Reconcile Change (Decrease) in Net Assets to Net Cash Provided (Used) by Operating Activities		
Depreciation	32,179	25,836
Loss on Asset Disposal	-	1,125
Amortization on Debt Issuance Costs	484	378
Changes in Operating Assets and Liabilities		
Accounts Receivable	(57,845)	(145,409)
Prepaid Expenses	(9,346)	(545)
Accounts Payable and Accrued Liabilities	<u>21,970</u>	<u>56,826</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 724,271</u>	<u>\$ 291,038</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from Sales of Assets	\$ -	\$ 1,800
Property and Equipment Purchases	<u>(14,954)</u>	<u>(68,663)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>\$ (14,954)</u>	<u>\$ (66,863)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments of Debt Issuance Costs	\$ -	\$ (3,234)
Payments on Notes Payable	(22,137)	(9,523)
Payments on Mortgage Payable	<u>(74,618)</u>	<u>(7,469)</u>
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	<u>\$ (96,755)</u>	<u>\$ (20,226)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 612,562	\$ 203,949
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>244,550</u>	<u>40,601</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 857,112</u>	<u>\$ 244,550</u>

See Independent Auditors' Report and the Notes to Financial Statements

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, Naima House and Jelani 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.

During the year ended October 31, 2021, The Organization started two temporary programs to assist the community, a food program and an after school program to provide distant learning support.

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:

- Net Assets Without Donor Restrictions - 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.
- Net Assets With Donor Restrictions
 - 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 \$161,062 and \$27,745 as of October 31, 2021 and 2020, 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, 2021 or 2020.

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

As of November 1, 2019, the Organization adopted ASU 2014-09, Revenue from Contracts with Customers (ASC Topic 606). The Organization recognizes revenue in accordance with ASC Topic 606, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

The Organization is using the modified retrospective method of adoption. Prior years have not been restated. The cumulative net impact of adopting ASC Topic 606 has been determined to be immaterial.

Program service revenues are recorded and recognized at a point in time when the services have been provided to the individuals.

Contributions are recorded when received and recognized as support in the period received, in accordance with ASC 958-605, Not-for-Profit Revenue Recognition - Contributions. 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 materials and equipment are recorded at their fair market value at the date they are received, if significant and measurable. The Organization did not receive any non-cash contributions for the years ended October 31, 2021 and 2020.

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

Revenue Recognition (Continued)

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.

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, 2021 and 2020.

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 \$32,179 and \$25,836 for the years ended October 31, 2021 and 2020, 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 \$484 and \$378 for the years ended October 31, 2021 and 2020, respectively.

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

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 \$0 for the years ended October 31, 2021 and 2020.

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, 2021 and 2020, 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 2017. Interest and penalties are classified as expense as incurred.

Subsequent Events

The Organization evaluated for the occurrence of subsequent events through February 8, 2022, the date which the financial statements were available for issue. Except as noted in NOTE 7, no subsequent events occurred.

Reclassifications

Certain reclassifications have been made in the 2020 financial statements to conform to classifications used in 2021.

Rebound, Inc.
Notes to Financial Statements
October 31, 2021 and 2020

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

New Accounting Pronouncements

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, 2021, 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 a goal to maintain financial assets, which consist of cash on hand to meet 60 days of normal operating expenses. 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 policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The following table reflects the Organization's financial assets available as of October 31, 2021 and 2020.

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 857,112	\$ 244,550
Accounts Receivable	<u>356,759</u>	<u>298,914</u>
Total Financial Assets	\$ 1,213,871	\$ 543,464
Total Upcoming Use of Funds	<u>133,881</u>	<u>117,827</u>
Financial Assets Available	\$ 1,079,990	\$ 425,637
Average Expenses per Month	<u>153,693</u>	<u>122,256</u>
Months of Assets on Hand	<u><u>7.03</u></u>	<u><u>3.48</u></u>

Rebound, Inc.
Notes to Financial Statements
 October 31, 2021 and 2020

NOTE 3: LINE OF CREDIT

The Organization had 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 (3.25% for the year ended October 31, 2020), adjusted to a minimum rate of 7.5%. The line of credit was secured by personal guarantees of two board members.

On January 20, 2021, the Organization took out a new line of credit with Royal Credit Union for \$50,000. Interest is variable at the Prime Rate as reported in the Wall Street Journal (3.25% for the year ended October 31, 2021), adjusted to a minimum rate of 4.0%. The line of credit matures November 20, 2023 and is secured by Naima House.

No balance was due on the line of credit at October 31, 2021 and 2020.

NOTE 4: LONG-TERM DEBT

Long-term debt at October 31, 2021 and 2020 consisted of the following:

	<u>2021</u>	<u>2020</u>
Note payable to Royal Credit Union, 3.99%, monthly payment of \$485, due July 5, 2022, secured by the vehicle.	\$ -	\$ 9,816
Note payable to Royal Credit Union, 3.99%, monthly payment of \$433, due April 15, 2023, secured by the vehicle.	-	12,321
Mortgage payable to Royal Credit Union, 6.31%, adjusted every quarter starting on January 1, 2022 to the prime rate (3.25% at October 31, 2021 and 2020) plus 1 .0 percentage points, monthly payment of \$1,105, due January 1, 2039, secured by property and building.	97,176	133,750
Mortgage payable to Royal Credit Union, 5.10%, adjusted every quarter starting on April 1, 2025 to the prime rate (3.25% at October 31, 2021 and 2020) plus 1 .0 percentage points, monthly payment of \$1,129, due March 15, 2040, secured by property and building.	127,758	165,802
Unamortized Debt Issuance Costs	<u>(6,082)</u>	<u>(6,566)</u>
Total Mortgages Payable	\$ 218,852	\$ 315,123
Less Current Portion	<u>14,197</u>	<u>20,113</u>
Long-Term Debt	<u>\$ 204,655</u>	<u>\$ 295,010</u>

Rebound, Inc.
Notes to Financial Statements
October 31, 2021 and 2020

NOTE 4: LONG-TERM DEBT (Continued)

The current maturities are as follows:

2022	\$	14,197
2023	\$	15,050
2024	\$	15,923
2025	\$	16,908
2026	\$	17,922
Thereafter	\$	138,852

NOTE 5: NET ASSETS WITH DONOR RESTRICTIONS

The donor restrictions for the After Care Program were received in 2021 and 2020 from grantors to be used to assist youth in the program. Restricted contributions received were \$60,001 and \$35,038 for the years ended October 31, 2021 and 2020, respectively. Amounts used and released were \$73,898 and \$54,446 for the years ended October 31, 2021 and 2020, respectively. Net assets with donor restrictions were \$10,478 and \$24,375 at October 31, 2021 and 2020, respectively.

The donor restriction for the Ghana trip was received in 2020 from donors to be used towards the trip to Ghana for interested youth in the program. Restricted contributions received were \$0 and \$3,370 for the years ended October 31, 2021 and 2020, respectively. Net asset with donor restrictions were \$3,370 at October 31, 2021 and 2020.

The donor restriction for the AC Housing Program was received in 2021 from a grantor to be used to assist young adults find housing in the community. Restricted contributions received were \$75,000 and \$0 for the years ended October 31, 2021 and 2020, respectively. Amounts used and released were \$77 and \$0 for the years ended October 31, 2021 and 2020, respectively. Net assets with donor restrictions were \$74,923 and \$0 at October 31, 2021 and 2020, respectively.

The donor restriction for the capacity building was received in 2021 from a grantor to be used to expand the Organization's programming and to explore ways to obtain greater funding resources. Restricted contributions received were \$85,000 and \$0 for the years ended October 31, 2021 and 2020, respectively. Amounts used and released were \$12,709 and \$0 for the years ended October 31, 2021 and 2020, respectively. Net assets with donor restrictions were \$72,291 and \$0 at October 31, 2021 and 2020, respectively.

Total net assets with donor restrictions were \$161,062 and \$27,745 at October 31, 2021 and 2020, respectively

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NOTE 6: GRANT INCOME - PANDEMIC

During the years ended October 31, 2021 and 2020, the Organization received COVID-19 pandemic income from grantors totaling \$241,903 and \$37,920, respectively, to be used to provide support for youth and families impacted by the pandemic.

In addition to the grants received from private grantors mentioned above, the Organization on April 14, 2020 entered into a commercial promissory note agreement with Royal Credit Union in the amount of \$174,000 with an interest rate of 1.0%. The note was issued under the terms of the Paycheck Protection Program (PPP). On December 4, 2020, the Organization's loan forgiveness application related to the PPP Loan in the amount of \$174,000 was approved. Upon approval the loan balance in its entirety was forgiven.

NOTE 7: 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, 2021. The lease was renewed on January 1, 2022 and will automatically renew for one year. The monthly rent was \$1,500 until December 31, 2020. Effective January 1, 2021, rent is \$1,953 per month.

On July 1, 2020, the Organization renewed an operating lease agreement for office space with The Sanctuary Covenant Church, Inc. for office space that expired on June 30, 2020. Effective July 1, 2021, the lease was changed to a month to month with a required two month notice to vacate. 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 October 15, 2020, the Organization entered into an operating lease agreement with Elim Church to run a temporary COVID-19 program that expired on December 31, 2020. The monthly payments were \$2,500.

The rent expense was \$49,880 and \$41,944 for the years ended October 31, 2021 and 2020, respectively.

The minimum annual rental commitments are as follows:

2022	\$	27,010
2023	\$	23,436
2024	\$	3,906
Total	\$	<u>54,352</u>

NOTE 8: BENEFIT PLAN

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 \$6,907 and \$5,561 for the years ended October 31, 2021 and 2020, respectively.

NOTE 9: 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 2021, the Organization had two customers whose revenues accounted for approximately 76% of its total revenue. Two customers accounted for approximately 97% of the Organization's accounts receivable for the year ended October 31, 2021.

During 2020, the Organization had two customers whose revenues accounted for approximately 77% of its total revenue. Two customers accounted for approximately 89% of the Organization's accounts receivable for the year ended October 31, 2020.

NOTE 10: RELATED PARTIES

The Organization leases a group home from the Organization's Executive Director and Co-Founder (see Note 7).

The Organization borrowed \$17,000 from two board members during the year ended October 31, 2020. The funds were used for the purchase and startup of Jelani House. The Organization repaid both notes during the year ended October 31, 2020.

NOTE 11: SUPPLEMENTAL CASH FLOW INFORMATION

Cash paid for interest was \$17,021 and \$15,101 for the years ended October 31, 2021 and 2020, respectively.

Cash paid for income taxes was \$0 for the years ended October 31, 2021 and 2020.

During the year ended October 31, 2020 the Company financed the purchase of a vehicle with Royal Credit Union. Noncash loan proceeds of \$14,630 were disbursed directly to the dealership.

NOTE 11: SUPPLEMENTAL CASH FLOW INFORMATION

During the year ended October 31, 2020 the Company financed the purchase of a house with Royal Credit Union. Noncash loan proceeds of \$168,750 were disbursed directly to the seller of the property.