

INSPIRATION MINISTRIES, INC.

FINANCIAL STATEMENTS

Year Ended December 31, 2020

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INDEPENDENT ACCOUNTANTS' REVIEW REPORT

Board of Directors
Inspiration Ministries, Inc.
Auburn, Indiana

We have reviewed the accompanying financial statements of Inspiration Ministries, Inc. (a nonprofit organization), which comprise the statement of assets, liabilities and net assets – modified cash basis as of December 31, 2020, and the related statements of support, revenue, expenses and change in net assets – modified cash basis, and functional expenses – modified cash basis for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Accountants' Responsibility

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with the modified cash basis of accounting. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with the modified cash basis of accounting.

Fort Wayne, Indiana
February 19, 2021

INSPIRATION MINISTRIES, INC.
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS - MODIFIED CASH BASIS
December 31, 2020

ASSETS

Cash and cash equivalents	\$ 125,270
Cash restricted for long-term purposes	7,750
Property and equipment - net	<u>1,190,650</u>
Total Assets	<u><u>\$ 1,323,670</u></u>

LIABILITIES AND NET ASSETS

Sales tax payable	\$ 1,110
Credit card payable	16,801
Economic Injury Disaster Loan	150,000
Notes payable	<u>888,079</u>
Total Liabilities	1,055,990
Net assets:	
Without donor restrictions	259,930
With donor restrictions	<u>7,750</u>
Total Net Assets	<u>267,680</u>
Total Liabilities and Net Assets	<u><u>\$ 1,323,670</u></u>

See independent accountants' review report and notes to financial statements.

INSPIRATION MINISTRIES, INC.
STATEMENT OF SUPPORT, REVENUE, EXPENSES AND CHANGE IN NET ASSETS -
MODIFIED CASH BASIS
Year Ended December 31, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
CHANGES IN NET ASSETS			
Support and Revenues			
Contributions	\$ 327,003	\$ 15,416	\$ 342,419
Government grants	50,600	-	50,600
Program fees	388,207	-	388,207
Cupbearer sales	80,417	-	80,417
Thrift store sales	11,710	-	11,710
Other revenue	10,843	-	10,843
Net Assets Released From Restrictions	<u>7,666</u>	<u>(7,666)</u>	<u>-</u>
Total Support and Revenues	876,446	7,750	884,196
Expenses:			
Program	520,881	-	520,881
Management and general	191,003	-	191,003
Fundraising	31,253	-	31,253
Cost of goods sold	<u>36,357</u>	<u>-</u>	<u>36,357</u>
Total Expenses	<u>779,494</u>	<u>-</u>	<u>779,494</u>
CHANGE IN NET ASSETS	96,952	7,750	104,702
NET ASSETS - January 1, 2020	<u>162,978</u>	<u>-</u>	<u>162,978</u>
NET ASSETS - December 31, 2020	<u><u>\$ 259,930</u></u>	<u><u>\$ 7,750</u></u>	<u><u>\$ 267,680</u></u>

See independent accountants' review report and notes to financial statements.

INSPIRATION MINISTRIES, INC.
STATEMENT OF FUNCTIONAL EXPENSES - MODIFIED CASH BASIS
Year Ended December 31, 2020

	Program	Management and General	Fundraising	Cost of Goods Sold	Total
Salaries	\$ 171,795	\$ 76,111	\$ 24,901	\$ -	\$ 272,807
Employee benefits	-	7,799	-	-	7,799
Payroll taxes	9,743	9,824	3,214	-	22,781
	<u>181,538</u>	<u>93,734</u>	<u>28,115</u>	<u>-</u>	<u>303,387</u>
Total Salaries and Related Expenses					
Travel and transportation	47,115	8,683	-	-	55,798
Occupancy	46,713	8,750	-	-	55,463
Professional fees	51,903	1,677	-	-	53,580
Client assistance	45,756	5,130	-	-	50,886
Interest	19,556	19,314	-	-	38,870
Cost of goods sold	-	-	-	36,357	36,357
Repairs and maintenance	35,920	-	-	-	35,920
Equipment and supplies	32,861	951	-	-	33,812
Insurance	3,665	20,831	-	-	24,496
Fees	2,824	17,780	-	-	20,604
Office	6,268	1,031	1,502	-	8,801
Training	6,835	576	-	-	7,411
Technology	3,372	3,448	-	-	6,820
Program expenses	3,345	-	-	-	3,345
Marketing	403	1,091	1,636	-	3,130
Contributions	1,500	-	-	-	1,500
Accounting	-	614	-	-	614
Other expenses	-	280	-	-	280
	<u>489,574</u>	<u>183,890</u>	<u>31,253</u>	<u>36,357</u>	<u>741,074</u>
Total Expenses Before Depreciation					
Depreciation	31,307	7,113	-	-	38,420
	<u>520,881</u>	<u>191,003</u>	<u>31,253</u>	<u>36,357</u>	<u>779,494</u>
Total Expenses					

See independent accountants' review report and notes to financial statements.

INSPIRATION MINISTRIES, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Inspiration Ministries, Inc. (Organization) exists to help people transform their lives in times of transition. The Organization's programs allow opportunity for people to identify that their pasts and presents do not have to define their future.

Taxes

The Organization is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code. However, under certain Internal Revenue Code regulations, profitable, unrelated business income is subject to federal and state income tax. Such income arises from the Cupbearer café sales.

Basis of Accounting

The Organization's policy is to prepare its financial statements on the modified cash basis of accounting; consequently, certain revenues are recognized when received rather than when earned, and certain expenses are recognized when cash is disbursed rather than when the obligation is incurred. Modifications to the cash basis include recognition of fixed assets and related depreciation, sales tax payable, refundable advances, and notes payable. This basis differs from generally accepted accounting principles primarily because the Organization has not recognized accounts receivables, accounts payable, and accruals and their related effects on net assets in the accompanying financial statements.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

Property and Equipment

Property and equipment is stated at cost or, in the case of contributed assets, at their fair market values at the date of receipt. Property and equipment with a cost or donated value of \$5,000 or more and a useful life of one or more years are capitalized and depreciated over the estimated useful lives of the related assets. Depreciation is computed on the straight-line method.

Net Assets

Net assets without donor restrictions are available for use at the discretion of the Organization's management and the board of directors. From time to time the board designates a portion of these net assets for specific purposes, which makes them unavailable for use at management's discretion.

Net assets with donor restrictions consist of assets whose use is limited by donor-imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets are reclassified as net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

In-kind Contributions

No amounts have been reported in the financial statements for donated services because they do not meet the accounting guidelines for reporting; however, a substantial number of volunteers donate significant amounts of time in providing the Organization's services.

Functional Allocation of Expense

The costs of providing the Organization's programs and supporting services have been summarized on a functional basis in the statements of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Expenses allocated based on time and effort include salaries and related expenses. Depreciation is allocated based on square footage.

Subsequent Events

Management has evaluated subsequent events through February 19, 2021, the date which the financial statements were available for issue.

2. PROPERTY AND EQUIPMENT

The Organization's property and equipment is detailed as follows at December 31, 2020:

Buildings and land	\$ 1,197,053
Tractor	24,133
Equipment	<u>6,386</u>
	1,227,572
Accumulated depreciation	<u>97,894</u>
	1,129,678
Construction in progress	<u>60,972</u>
	<u>\$ 1,190,650</u>

3. ECONOMIC INJURY DISASTER LOAN

On May 23, 2020, the Organization obtained an Economic Injury Disaster Loan (EIDL) from the Small Business Administration in the amount of \$150,000. Monthly payments of \$641, including principal and interest at 2.75% will begin 12 months from the date of the promissory note with the outstanding balance due 30 years from the date of the promissory note. The loan is secured by all tangible and intangible personal property of the Organization.

Maturities on EIDL as of December 31, 2020:

2021	\$ 2,399
2022	\$ 3,682
2023	\$ 3,784
2024	\$ 3,890
2025	\$ 3,998

4. NOTES PAYABLE

Notes payable consist of the following at December 31, 2020:

Note payable to Community State Bank in monthly installments of \$5,523 including interest at 4.25%, secured by real estate, leases and rents, due December 2040.	\$ 886,116
Construction loan payable to Community State Bank, 4.25% interest rate, secured by real estate, leases and rents, due June 2041.	<u>1,963</u>
	<u>\$ 888,079</u>

Maturities on the notes as of December 31, 2020:

2021	\$ 29,132
2022	\$ 30,395
2023	\$ 31,712
2024	\$ 33,086
2025	\$ 34,520

The amount of interest charged to operations was \$38,870 in 2020.

5. NET ASSETS

Net assets with donor restrictions are restricted for the following as of December 31, 2020:

Specific purpose:	
12 passenger van	\$ 7,750

Net assets were released from donor restrictions as follows for the year ended December 31, 2020:

Satisfaction of purpose restrictions:	
Emergency food and shelter	\$ 7,666

Net assets without donor restrictions include undesignated net assets of \$259,930 at December 31, 2020.

6. GOVERNMENT GRANTS

The Organization received a \$40,600 loan from the Small Business Administration (SBA) as a part of the Paycheck Protection Program (PPP) through the Coronavirus Aid, Relief, and Economic Securities (CARES) Act. The loan was uncollateralized and was fully guaranteed by the Federal government. The Organization initially recorded the loan as a fundable advance and subsequently recognized grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the loan no longer existed. The Organization has recognized \$40,600 as grant revenue for the year ended December 31, 2020.

The Organization also received an EIDL Advance in the amount \$10,000 during 2020 which was recorded in grants.

7. ADVERTISING

Marketing costs are charged to operations as incurred and totaled \$3,130 for 2020.

8. OPERATING LEASE

In December 2020, the Organization entered into an operating lease with an option to purchase for facility space. The eighteen-month lease begins January 2021 and requires monthly payments of \$3,000 with an option to purchase of \$525,000.

Minimum future lease payments under noncancelable leases having initial or remaining terms of one year or more as of December 31, 2020 for each of the next five years and in the aggregate are:

2021	\$	36,000
2022		18,000
2023 and thereafter		<u>-</u>
	\$	<u>54,000</u>

9. RELATED PARTIES

During 2020, the Organization repaid a loan in the amount of \$5,000 to the CEO and President of the Organization.

Also during 2020, the Organization repaid a loan in the amount of \$15,000 to the COO and Vice President/Chairman of the Board of the Organization and purchased a vehicle from the individual in the amount of \$3,000.

10. RISK AND CONCENTRATIONS

On March 11, 2020, the COVID-19 virus had been declared a global pandemic. The extent of the impact of the COVID-19 outbreak on the financial performance of the Organization will depend on future developments, including the duration and severity of the outbreak and its impact on the overall economy. Management is carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

11. AVAILABILITY AND LIQUIDITY

The following represents Inspiration Ministries, Inc.'s financial assets at December 31, 2020:

Cash and cash equivalents	\$ 133,020
Less assets not to be used in one year:	
Donor restricted for specific purpose	<u>(7,750)</u>
Financial assets available to meet general expenditures within one year	<u>\$ 125,270</u>

In addition to the financial assets available to meet general expenditures within one year, the Organization also receives recurring program service fees and contributions which can be used to support general expenditures.

