

# *Financial Statements*

Talbot House Ministries of Lakeland, Inc.

Years Ended June 30, 2019 and 2018

THIS PAGE INTENTIONALLY LEFT BLANK.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**YEARS ENDED JUNE 30, 2019 AND 2018**

---

---

**TABLE OF CONTENTS**

	<b><u>PAGE NUMBER</u></b>
Independent Auditor's Report	1-2
Statements of Financial Position	3
Statements of Activities	4-5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-16

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Talbot House Ministries of Lakeland, Inc.

I have audited the accompanying financial statements of Talbot House Ministries of Lakeland, Inc., which comprise the statements of financial position as of June 30, 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*

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 judgement, 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, I 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 financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### *Opinion*

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Talbot House Ministries of Lakeland, Inc. as of June 30, 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.

*Emphasis of Matter*

As discussed in note 1 to the financial statements, Talbot House Ministries of Lakeland, Inc. adopted ASU 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements* and has adjusted the presentation of its financial statements accordingly. My opinion is not affected with respect to that matter.

*David R. Ramos, CPA*

Lakeland, Florida  
November 21, 2019

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2019 AND 2018**

	<u>2019</u>	<u>2018</u>
<b><u>ASSETS</u></b>		
Cash	\$ 8,204	\$ 49,335
Cash - trustee	52,006	56,053
Beneficial interest in assets held by others	211,675	72,791
Beneficial interest in trust	191,232	282,635
Support receivable	176,494	169,758
Other assets	2,075	48,483
Property and equipment, net	<u>3,537,511</u>	<u>3,663,028</u>
Total assets	<u>\$ 4,179,197</u>	<u>\$ 4,342,083</u>
<b><u>LIABILITIES AND NET ASSETS</u></b>		
Accounts payable	\$ 72,944	\$ 78,100
Funds held in trust	52,006	56,053
Accrued liabilities	91,797	88,180
Deferred revenue	64,128	46,996
Line-of-credit	35,000	15,000
Deferred mortgage	<u>500,000</u>	<u>500,000</u>
Total liabilities	815,875	784,329
Net assets:		
Without donor restrictions	3,172,090	3,275,119
With donor restrictions	<u>191,232</u>	<u>282,635</u>
Total net assets	<u>3,363,322</u>	<u>3,557,754</u>
Total liabilities and net assets	<u>\$ 4,179,197</u>	<u>\$ 4,342,083</u>

Read accompanying notes financial statements.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2019**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and grants	\$ 3,318,244	\$ -	\$ 3,318,244
Special events	425,028	-	425,028
Services performed	655	-	655
Program fees	149,460	-	149,460
Other income	2,806	-	2,806
Interest	20,943	-	20,943
Net assets released from restrictions	<u>91,403</u>	<u>(91,403)</u>	<u>-</u>
Total revenues and other support	4,008,539	(91,403)	3,917,136
Expenses			
Program:			
Basic needs	907,676	-	907,676
Health and disability	1,993,570	-	1,993,570
Supporting work and independence	779,334	-	779,334
Employee solutions	<u>221,021</u>	<u>-</u>	<u>221,021</u>
Total program expenses	3,901,601	-	3,901,601
Management and general	100,113	-	100,113
Fundraising	<u>109,854</u>	<u>-</u>	<u>109,854</u>
Total expenses	<u>4,111,568</u>	<u>-</u>	<u>4,111,568</u>
Change in net assets	(103,029)	(91,403)	(194,432)
Net assets at beginning of year	<u>3,275,119</u>	<u>282,635</u>	<u>3,557,754</u>
Net assets at end of year	<u>\$ 3,172,090</u>	<u>\$ 191,232</u>	<u>\$ 3,363,322</u>

Read accompanying notes to financial statements.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2018**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues and other support			
Contributions and grants	\$ 3,690,522	\$ -	\$ 3,690,522
Special events	372,404	-	372,404
Services performed	65,774	-	65,774
Program fees	140,640	-	140,640
Other income	1,458	-	1,458
Interest	13,832	-	13,832
Net assets released from restrictions	<u>128,004</u>	<u>(128,004)</u>	<u>-</u>
Total revenues and other support	4,412,634	(128,004)	4,284,630
Expenses			
Program:			
Basic needs	938,210	-	938,210
Health and disability	2,382,848	-	2,382,848
Supporting work and independence	827,497	-	827,497
Employee solutions	<u>192,538</u>	<u>-</u>	<u>192,538</u>
Total program expenses	4,341,093	-	4,341,093
Management and general	87,636	-	87,636
Fundraising	<u>88,390</u>	<u>-</u>	<u>88,390</u>
Total expenses	<u>4,517,119</u>	<u>-</u>	<u>4,517,119</u>
Change in net assets	(104,485)	(128,004)	(232,489)
Net assets at beginning of year	<u>3,379,604</u>	<u>410,639</u>	<u>3,790,243</u>
Net assets at end of year	<u>\$ 3,275,119</u>	<u>\$ 282,635</u>	<u>\$ 3,557,754</u>

Read accompanying notes to financial statements.



**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2019**

	Program Services						
	Basic Needs	Health and Disability	Supporting Work and Independence	Employee Solutions	Management and General	Fundraising	Total
Personnel	\$ 446,738	\$ 661,834	\$ 347,463	\$ 198,550	\$ 65,000	\$ 55,000	\$ 1,774,585
Occupancy	110,354	51,140	104,971	2,692	5,504	550	275,211
Supplies	190,485	1,206,405	174,611	15,874	9,577	54,304	1,651,256
Depreciation	68,393	31,694	65,057	1,668	3,345	-	170,157
Office expense	59,247	27,455	56,356	1,445	2,949	-	147,452
Equipment rental and maintenance	14,417	6,681	13,714	352	718	-	35,882
Professional fees	17,044	7,898	16,213	416	12,950	-	54,521
Interest expense	998	463	949	24	70	-	2,504
 Total expenses	 \$ 907,676	 \$ 1,993,570	 \$ 779,334	 \$ 221,021	 \$ 100,113	 \$ 109,854	 \$ 4,111,568

Read accompanying notes to financial statements.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2018**

	Program Services						
	Basic Needs	Health and Disability	Supporting Work and Independence	Employee Solutions	Management and General	Fundraising	Total
Personnel	\$ 425,908	\$ 621,193	\$ 340,811	\$ 179,729	\$ 50,110	\$ 45,978	\$ 1,663,729
Occupancy	113,017	53,684	107,366	2,825	5,662	550	283,104
Supplies	258,060	1,640,889	245,157	6,452	12,790	41,862	2,205,210
Depreciation	66,966	31,809	63,618	1,675	3,345	-	167,413
Office expense	43,310	20,572	41,144	1,083	2,166	-	108,275
Equipment rental and maintenance	10,849	5,153	10,307	271	543	-	27,123
Professional fees	18,660	8,864	17,727	466	12,950	-	58,667
Interest expense	1,440	684	1,367	37	70	-	3,598
 Total expenses	 <u>\$ 938,210</u>	 <u>\$ 2,382,848</u>	 <u>\$ 827,497</u>	 <u>\$ 192,538</u>	 <u>\$ 87,636</u>	 <u>\$ 88,390</u>	 <u>\$ 4,517,119</u>

Read accompanying notes to financial statements.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**STATEMENTS OF CASH FLOWS**

**YEARS ENDED JUNE 30, 2019 AND 2018**

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ (194,432)	\$ (232,489)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	170,158	167,413
Investment income	(11,334)	-
Increase (decrease) in assets:		
Support and program service receivable	(6,736)	336,998
Beneficial interests	91,403	86,168
Other assets	46,408	(10,808)
Decrease (increase) in liabilities:		
Due to bank	-	(30,998)
Accounts payable	(5,156)	(1,977)
Funds held in trust	(4,047)	(18,063)
Accrued liabilities	3,617	36,001
Deferred revenue	17,132	(335,622)
Net cash from operating activities	107,013	(3,377)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(44,641)	(2,241)
Purchases of investments	(127,550)	-
Net cash from investing activities	(172,191)	(2,241)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Line of credit increase (reduction)	20,000	15,000
Net cash from financing activities	20,000	15,000
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	(45,178)	9,382
Cash at beginning of year	105,388	96,006
Cash at end of year	\$ 60,210	\$ 105,388
<b>RECONCILIATION OF CASH ACCOUNTS:</b>		
Cash	\$ 8,204	\$ 49,335
Cash - trustee	52,006	56,053
Total cash accounts	\$ 60,210	\$ 105,388

Read accompanying notes to financial statements.

# TALBOT HOUSE MINISTRIES OF LAKE LAND, INC.

## NOTES TO FINANCIAL STATEMENTS

---

---

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND NATURE OF ACTIVITIES - Since 1979, Talbot House Ministries of Lakeland, Inc. (the "Organization"), a non-profit Florida corporation, has provided programs for emergency and recovery services for the needy. The expanded facilities at 814 North Kentucky Avenue meet the needs of hungry and homeless people. The non-residents are provided with warm meals, showers, clothing, and a bed for the night. Those who decide to commit themselves, with their addictions and problems, to a caring staff may be enrolled in the "Trustee Program."

Special programs such as the Trustee Renewal Program (trained by a professional Renewal Program coordinator), medical clinics (manned by paid staff and volunteer doctors and nurses), life-skills classes, and counseling help each individual take steps toward recovery. The addition of a "Transition House" and Block Building on Kentucky Avenue to replace the "Promise Place" apartment house for persons on SSI and trustees, have provided new opportunities for some to continue their climb to independent living.

Members of the staff, the board of directors, the auxiliary, the many volunteers, and donors work together with compassion and diligence to carry on this ministry. The Organization is supported by churches, organizations, corporate gifts, individual contributions, the United Way, and city, county, and federal governments.

CHANGE IN ACCOUNTING PRINCIPLE - In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendment changes the previous reporting model for nonprofit organizations and enhances the disclosure requirements. The major changes include: a) requiring the presentation of only two classes of net assets rather than three, b) modifying the presentation of underwater endowments and related disclosures, c) requiring the use of the placed in service approach to recognize the expirations on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, f) presenting investment return net of the external and direct internal investment expenses, and g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. This ASU is effective for annual periods beginning after December 15, 2017. Management has adopted the ASU 2016-14 for all periods presented.

LIQUIDITY - Assets are presented in the accompanying statements of financial position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity, and resulting use of cash.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(continued)**

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**DONATED MATERIALS, SUPPLIES, AND PROFESSIONAL SERVICES** - The Organization receives various contributed materials, supplies, and professional medical services used primarily for providing food, clothing, and medical services and supplies for people in need. Donated materials, supplies, and professional medical services totaled \$1,703,327 and \$2,114,088 for the years ended June 30, 2019 and 2018, respectively.

**REVENUE RECOGNITION** - The Organization recognizes grants, contracts and contributions of cash or other assets (such as land, buildings, and equipment) as restricted support if they are received with grantor or donor stipulations that limit the use of the donated assets. When a grantor or donor restriction expires, or when a stipulated time restriction ends, or purpose or restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The Organization recognizes revenues from exchange transactions when the service is rendered. A receivable is recognized by the Organization for outstanding invoices or other known amounts due to it. The Organization considers its receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required. The Organization does not charge interest on outstanding accounts receivable.

**CASH** - Cash consists of cash in banks. At times, the Organization's cash balances may exceed amounts insured by the Federal Deposit Insurance Corporation. The Organization has not experienced any losses from these accounts. Negative cash balances are reported as due to bank.

**FEDERAL INCOME TAX** - The Organization is exempt from federal and state income taxes as an organization described under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been made in the financial statements. The Organization does not have any uncertain tax positions or unrelated business income.

**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 of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

TALBOT HOUSE MINISTRIES OF LAKELAND, INC.

NOTES TO FINANCIAL STATEMENTS

(continued)

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

**FAIR VALUE MEASUREMENT** - The Organization adheres to Financial Accounting Standards Board Accounting Standards codification, *Fair Value Measurements and Disclosures*, which defines fair value as the price that should be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

The valuation methodologies used for assets measured at fair value are as follows:

Beneficial Interest in Assets Held by Others - Carrying value is measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period provided by the GiveWell Community Foundation, Inc.

Beneficial Interest in Trust - The fair value of beneficial interest in trust assets is based on a valuation model that calculates the present value of estimated distributable income. The valuation model incorporates assumptions that market participants would use in estimating future distributable income. The Organization values its beneficial interest at the discounted present value of estimated future distributions it expects to receive.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value measurements at the reporting date.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(continued)**

---

---

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**PROPERTY AND EQUIPMENT** - Purchases of property and equipment in excess of \$500 are capitalized at cost or, if donated, at the estimated fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

**NET ASSETS** - Net assets, revenues, support, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

*Net assets with donor restrictions* - Net assets subject to donor (or certain grantor) restrictions. Some donor imposed restrictions may be temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions may be perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires; that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

**FUNCTIONAL EXPENSES** - The Organization allocates its expenses on a functional basis to its programs and support services. Expenses that can be identified with a specific program or support services are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are primarily allocated based on the amount of employee time involved.

**MANAGEMENT EVALUATION** - Management has evaluated subsequent events through November 21, 2019, the date which the financial statements were available for issuance.

**NOTE 2 - AGENCY TRANSACTIONS**

The asset account "Cash - trustee" and the liability account "Funds held in trust" represent the cash received by the Organization on behalf of the homeless people. The Organization's policy is to recognize the fair value of the cash received and an offsetting liability until the cash is distributed to the homeless person, at which time the asset and liability are removed from the Organization's books.

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(continued)

**NOTE 3 – LIQUIDITY**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following at June 30, 2019:

Cash	\$ 8,204
Investments held at GiveWell Community Foundation	211,675
Amount to be received from future trust interest during fiscal year ended June 30, 2020	100,000
Support receivable	<u>176,494</u>
Total	<u>\$ 496,373</u>

The Organization’s investments are highly liquid as there are no preventative lockups or restrictions and they can be readily liquidated to cover operating needs. As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its liabilities and other obligations come due.

**NOTE 4 - CONTRIBUTIONS FROM FUTURE TRUST INTEREST**

The Organization recognizes the present value from future interest in trust in which the Organization is named a beneficiary. The asset is recorded at the present value of the beneficial interest, discounted at 3% for 2019 and 2018. Any increase or decrease in the present value of this beneficial interest is recorded as a “change in valuation of future interests in trust” during each respective year.

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Organization uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The following tables present the fair value hierarchy for the balances of the assets of the Organization measured at fair value on a recurring basis.

As of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Beneficial interest in assets held by others	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 211,675</u>	<u>\$ 211,675</u>
Beneficial interest in trust	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 191,232</u>	<u>\$ 191,232</u>



**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(continued)

**NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS** (continued)

As of June 30, 2018:

	Level 1	Level 2	Level 3	Total
Beneficial interest in assets held by others	\$ -	\$ -	\$ 72,791	\$ 72,791
Beneficial interest in trust	\$ -	\$ -	\$ 282,635	\$ 282,635

For Level 3 fair value measurement, tabular quantitative information about the significant unobservable inputs used in the fair value measurement is required unless the unobservable inputs are not developed by the reporting entity when measuring fair value.

The following tables set forth a summary of changes in the fair value of the Organization's Level 3 assets shown above:

Beneficial interest in assets held by others, July 1, 2017	\$ 70,253
Interest income	1,166
Expenses	(623)
Net realized and unrealized gains	1,995
Beneficial interest in assets held by others, June 30, 2018	72,791
Capital contribution	127,550
Interest income	2,568
Expenses	(935)
Net realized and unrealized gains	9,701
Beneficial interest in assets held by others, June 30, 2019	\$ 211,675
Beneficial interest in trust, July 1, 2017	\$ 371,341
Interest income	11,294
Payment received	(100,000)
Beneficial interest in trust, June 30, 2018	282,635
Interest income	8,597
Payment	(100,000)
Beneficial interest in trust, June 30, 2019	\$ 191,232

**TALBOT HOUSE MINISTRIES OF LAKELAND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

(continued)

**NOTE 6 - PROPERTY AND EQUIPMENT**

Major classes of property and equipment consist of:

	<u>2019</u>	<u>2018</u>
Buildings	\$ 5,126,368	\$ 5,126,368
Furniture and fixtures	700,304	691,499
Leasehold improvements	309,246	309,246
Land	212,555	212,555
Vehicles	<u>168,842</u>	<u>133,006</u>
	6,517,315	6,472,674
Less accumulated depreciation	<u>2,979,804</u>	<u>2,809,646</u>
Net property and equipment	<u>\$ 3,537,511</u>	<u>\$ 3,663,028</u>

**NOTE 7 - LINE OF CREDIT**

The Organization has a \$100,000 unsecured revolving credit agreement with a bank. The balance outstanding at June 30, 2019 and 2018 was \$35,000 and \$15,000, respectively. The note bears interest at the bank's prime lending rate plus 0.5 per annum and is due on demand. Interest paid in cash during the years ended June 30, 2019 and 2018 was \$2,504 and \$3,598, respectively.

**NOTE 8 - DEFERRED MORTGAGE**

The Organization received funding from the Federal Home Loan Bank in Atlanta (FHLB) under the Affordable Housing Program in the amount of \$500,000. The proceeds were required to be expended on the construction of the Fellowship House. The mortgage is non-interest bearing and is to be forgiven January 2029, provided that the Organization complies with the loan covenants set forth in the agreement.

**TALBOT HOUSE MINISTRIES OF LAKE LAND, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**(concluded)**

---

---

**NOTE 9 - RELEASE OF NET ASSETS RESTRICTED BY DONOR**

The net assets released from grant and contract restrictions by incurring expenses satisfying the restricted purpose, and those for which time restrictions passed during the year were as follows:

	<u>2019</u>	<u>2018</u>
George Jenkins Foundation, Inc.	\$ -	39,298
Beneficial interest in trust	<u>91,403</u>	<u>88,706</u>
	<u>\$ 91,403</u>	<u>\$ 128,004</u>

**NOTE 10 - CONCENTRATION**

In-kind contributions of materials, supplies and medical services for the years ended June 30, 2019 and 2018 included medical supplies of \$688,903 and \$1,372,372, respectively. Of these amounts, \$414,065 and \$1,165,257 correspondingly, was provided by three donors.

**NOTE 11 - CONTINGENCIES**

The Organization participates in federal and local programs which are subject to financial and compliance audits to determine compliance with grant requirements. In the event that expenditures would be disallowed, repayment could be required.