

TENNESSEE PRISON OUTREACH MINISTRY, INC.

(A Not-for-profit Organization)

Financial Statements

With Independent Auditor's Report Thereon

FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020



Tennessee Prison Outreach Ministry, Inc.

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Independent Auditor's Report

To the Board of Directors of Tennessee Prison Outreach Ministry, Inc.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of which comprise the statements of financial position as of December 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.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Tennessee Prison Outreach Ministry, Inc. as of December 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and if applicable, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Tennessee Prison Outreach Ministry, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Prison Outreach Ministry, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Tennessee Prison Outreach Ministry, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Tennessee Prison Outreach Ministry, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audits.



Miller CPA, PLLC
Murfreesboro, TN
May 9, 2022

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 and 2020

	ASSETS	
	2021	2020
Cash and equivalents	\$ 1,103,636	\$ 810,882
Grants receivable	1,767	17,187
Property and equipment, net	2,835,152	2,884,854
Other assets	<u>4,641</u>	<u>20,494</u>
TOTAL ASSETS	<u>\$ 3,945,196</u>	<u>\$ 3,733,417</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 28,186	\$ 53,597
Notes payable	<u>1,529,997</u>	<u>1,560,747</u>
TOTAL LIABILITIES	1,558,183	1,614,344
NET ASSETS		
Net assets without donor restrictions	2,387,013	2,105,292
Net assets with donor restrictions	<u>-</u>	<u>13,781</u>
TOTAL NET ASSETS	<u>2,387,013</u>	<u>2,119,073</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,945,196</u>	<u>\$ 3,733,417</u>

See accompanying notes to financial statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	2021			2020		
	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Totals	Net Assets without Donor Restrictions	Net Assets with Donor Restrictions	Totals
PUBLIC SUPPORT AND OTHER REVENUE						
Public support						
Contributions and grants	\$ 975,902	\$ -	\$ 975,902	\$ 958,230	\$ 98,645	\$ 1,056,875
Special events	288,777	-	288,777	161,301	-	161,301
Total public support	1,264,679	-	1,264,679	1,119,531	98,645	1,218,176
Other revenue						
Interest income	2,156	-	2,156	1,562	-	1,562
Rent	118,815	-	118,815	77,554	-	77,554
Total other revenue	120,971	-	120,971	79,116	-	79,116
Net assets released from restrictions	13,781	(13,781)	-	657,979	(657,979)	-
Total public support and other revenue	1,399,431	(13,781)	1,385,650	1,856,626	(559,334)	1,297,292
EXPENSES						
Programs	786,842	-	786,842	656,827	-	656,827
Management and general	177,835	-	177,835	202,759	-	202,759
Fundraising	153,034	-	153,034	112,195	-	112,195
Total expenses	1,117,711	-	1,117,711	971,781	-	971,781
Increase (decrease) in net assets	281,721	(13,781)	267,940	884,845	(559,334)	325,511
Net assets at beginning of year	2,105,292	13,781	2,119,073	1,220,447	573,115	1,793,562
Net assets at end of year	\$ 2,387,013	\$ -	\$ 2,387,013	\$ 2,105,292	\$ 13,781	2,119,073

See accompanying notes to financial statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	2021				2020			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fund- raising	Totals	Program Services	Management and General	Fund- raising	Totals
Compensation and related expenses	\$ 365,923	\$ 110,886	\$ 77,620	\$ 554,429	\$ 311,919	\$ 113,944	\$ 72,972	\$ 498,835
Youth fees	37,922	-	-	37,922	4,009	-	-	4,009
Professional fees	13,410	14,528	-	27,938	22,326	24,500	-	46,826
Meals and entertainment	5,449	-	-	5,449	3,168	-	-	3,168
Travel	43	1,042	-	1,085	110	2,800	-	2,910
Depreciation and amortization	102,670	2,804	1,456	106,930	38,135	16,591	17,697	72,423
Repairs and maintenance	58,845	3,880	1,940	64,665	74,781	4,620	2,310	81,711
Postage	3,295	1,329	690	5,314	3,483	1,430	715	5,628
Printing	13,499	3,329	1,664	18,492	14,260	3,508	1,750	19,518
Program supplies	16,645	-	-	16,645	80,911	-	-	80,911
Office supplies	-	4,207	4,207	8,414	-	2,446	2,446	4,892
Utilities	33,814	9,661	4,831	48,306	23,989	6,920	3,460	34,369
Advertising	29,372	3,940	2,507	35,819	4,852	660	430	5,942
Bank fees	3,567	3,712	-	7,279	1,974	2,000	-	3,974
Dues and subscriptions	29,561	2,325	1,329	33,215	9,561	700	475	10,736
Insurance	6,942	13,475	-	20,417	10,213	20,000	-	30,213
Miscellaneous	1,306	797	110	2,213	1,186	720	110	2,016
In-kind	57,210	-	-	57,210	42,385	-	-	42,385
Interest	1,108	-	-	1,108	216	-	-	216
Alarm and security	1,856	200	100	2,156	2,968	200	100	3,268
Charitable donations	459	-	-	459	1,062	-	-	1,062
Vehicle	3,946	1,720	860	6,526	5,319	1,720	860	7,899
Total expenses	786,842	177,835	97,314	1,061,991	656,827	202,759	103,325	962,911
Direct costs of fundraising event	-	-	55,720	55,720	-	-	8,870	8,870
Total expenses	<u>\$ 786,842</u>	<u>\$ 177,835</u>	<u>\$ 153,034</u>	<u>\$ 1,117,711</u>	<u>\$ 656,827</u>	<u>\$ 202,759</u>	<u>\$ 112,195</u>	<u>\$ 971,781</u>

See accompanying notes to financials statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 and 2019

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 267,939	\$ 325,511
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	106,930	72,423
Forgiveness of Payment Protection Program note payable	-	(93,547)
Decrease (increase) in operating assets:		
Grants receivable	15,420	5,084
Other assets	14,505	(2,239)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(25,410)	23,631
NET CASH PROVIDED BY OPERATING ACTIVITIES	379,384	330,863
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(55,880)	(1,534,395)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	49,750	1,336,493
Proceeds from Payroll Protection Program note payable	-	93,547
Principal payments of notes payable	(80,500)	(17,805)
NET CASH PROVIDED BY (USED BY) FINANCING ACTIVITIES	(30,750)	1,412,235
NET INCREASE IN CASH AND EQUIVALENTS	292,754	208,703
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	810,882	602,179
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 1,103,636</u>	<u>\$ 810,882</u>

See accompanying notes to financial statements and independent auditor's report.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Tennessee Prison Outreach Ministry, Inc. (the “Ministry”) is a not-for-profit Tennessee Corporation organized to conduct preventative, rehabilitative and aftercare programming for offenders and their families. The Ministry accomplishes this function through the operation of a halfway house, re-entry facility, educational programs and various programs conducted for offenders and their families. Support for the Ministry is primarily received through donor contributions, grants and church contributions.

Basis of Accounting

The financial statements of the Ministry have been prepared on the accrual basis of accounting.

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of unrestricted revenue and support and expenses during the period. Actual results could differ from those estimates.

Financial Statement Presentation

The Ministry presents its financial statements in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 958, *Financial Statements for Not-for-Profit Organizations*. Accordingly, the Ministry reports information regarding its financial position and activities according to the two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions

Net assets without donor restrictions include unrestricted resources which represent the portion of funds that are available for the operating objectives of the Ministry.

Net Assets with Donor Restrictions

Net assets with donor restrictions consist of donor restricted contributions. Amounts restricted by donors for a specific purpose are deemed to be earned and reported as revenue within net assets with donor restrictions when received, and such unexpended amounts are reported as net assets with donor restrictions at year-end. When the donor restriction expires, that is, when a stipulated time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as “released from restrictions”.

Net assets with donor restrictions also consist of donor restricted contributions, which are required to be held in perpetuity. As of December 31, 2021 and 2020, there were no net assets with donor restrictions required to be held in perpetuity. Income from the assets held is available for either general operations or specific purposes, in accordance with donor stipulations.

Contributions and Grants

Contributions and grants are recognized as revenue when received or unconditionally pledged. All contributions and grants are available for unrestricted use unless specifically restricted by the donor. Contributions and grants that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions and Grants (continued)

All other donor-restricted contributions and grants are reported as an increase in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. The Ministry reports gifts of land, buildings and equipment as net assets without donor restrictions at the estimated fair value. Gifts of long-lived assets with explicit restrictions that specify how the assets are reported as net assets with donor restrictions. Absent donor stipulations regarding how long those donated long-lived assets must be maintained, the Ministry reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service as instructed by the donor.

Cash and Equivalents

Cash and equivalents include cash on hand and short-term investments with original maturities of three months or less.

Grants Receivable

Grant reimbursement requests have been recorded as grants receivable. The grants receivable are recorded when the expense for reimbursement has been incurred. Each grant agreement defines when a particular grant is considered past due which ranges from 30 to 60 days from the invoice date. The Ministry does not charge interest or a finance charge on past due grant receivable accounts. The Ministry estimates an allowance for doubtful grants receivable based upon historical trends, contractual obligations and ability to pay. Generally, the Ministry does not require collateral or other security to support the grants receivable. As of December 31, 2021 and 2020, management estimated the allowance for doubtful grants to be \$-0-.

Property and Equipment, Net

The Ministry capitalizes all property and equipment expenditures with a cost of \$500 or more having estimated useful lives of more than one year. Property and equipment are capitalized at cost or, for donated items, at fair value as of the date received. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets as of the following:

Buildings and improvements	15 - 39.5 years
Furniture and equipment	5 - 7 years
Vehicles	5 years

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program, management and general or fundraising. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function. Therefore, the expenses require allocation on a reasonable basis that is consistently applied. The Organization has determined the allocation based on estimates of time and effort within the compensation and related expenses; which in turn created a percent allocation that was used to determine the allocation of certain expenses.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE A—NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Advertising Expenses

Advertising costs include costs to promote the Ministry and specific programs are expensed as incurred on the statements of functional expenses. Advertising expense for the years ended December 31, 2021 and 2020 totaled \$35,819 and \$5,942, respectively.

Income Taxes

The Ministry is a not-for-profit organization that is exempt from income taxes under Section 501(c) (3) of the Internal Revenue Code. Therefore, the Ministry has made no provision for federal income taxes in the accompanying financial statements.

The Ministry has evaluated its tax positions for all open tax years. Currently, the tax years open and subject to examination by the Internal Revenue Service are 2020, 2019, 2018, 2017 and 2016. Based on the evaluation of the Foundation's tax positions, management believes all tax positions taken would be upheld under an examination by the tax authorities. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2021 and 2020.

Donated Services

Contributed services are recognized if the services received create or enhance long-lived assets or required specialized skills, are provided by individuals possessing these skills and would typically need to be purchased if not provided by donation. The Ministry receives contributed time which does not meet the recognition criteria. Accordingly, the value of this time has not been reported within the financial statements.

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2021 and 2020:

	2021	2020
Land	\$ 404,454	\$ 404,454
Buildings and improvements	2,585,098	2,545,868
Furniture and equipment	179,017	173,466
Vehicles	46,037	34,938
	3,214,606	3,158,726
Less: Accumulated depreciation	(379,454)	(273,872)
Property and equipment, net	<u>\$ 2,835,152</u>	<u>\$ 2,884,854</u>

For the years ending December 31, 2021 and 2020 depreciation expense totaled \$105,582 and \$72,423, respectively.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE C—AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as December 31, 2021 and 2020, reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2021 and 2020:

Financial assets, at year-end	\$ 1,103,636	\$ 810,882
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	-	(13,781)
Board of Directors designated funds	<u>(400,000)</u>	<u>(400,000)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 703,636</u>	<u>\$ 397,101</u>

The Ministry is substantially supported by unrestricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Ministry must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year. As part of the Ministry's liquidity management, it sends out cash as the restricted contributions and grants come in and maintains a level of cash related to contributions without donor restrictions.

NOTE D—NET ASSETS WITH DONOR RESTRICTIONS

As of December 31, 2020, net assets with donor restrictions consisted of youth fees totaling \$13,781 which were released during the year ended December 31, 2021. During the year ended December 31, 2020, net assets released from restrictions totaled \$657,979 through monies spent on the women's half-way house.

NOTE E—NET ASSETS WITHOUT DONOR RESTRICTIONS

The Board of Directors has designated net assets of \$400,000 as of December 31, 2021 and 2020 to go toward capital purchases or debt reduction. The designation above is voluntary, board-approved segregations of unrestricted net assets for specific purposes and are used as an aid in future expenditures.

NOTE F—CONCENTRATION OF RISK

The Foundation may be subject in the future to credit risk to its cash and equivalents accounts, which are placed with high credit-quality financial institutions. The Federal Deposit Insurance Corporation ("FDIC") offers coverage up to \$250,000 for substantially all depository accounts. As of December 31, 2021 and 2020, the Ministry had \$829,737 and \$447,499, respectively, in funds in excess of the FDIC limit.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE G—NOTES PAYABLE

A summary of notes payable as of December 31, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
The Ministry has a note payable bearing an interest rate of the prime rate minus 4.0% with a floor of 0.00% (as of December 31, 2021 and 2020 the interest rate was 0%) requiring monthly principal and interest payments totaling \$1,382 through June 2032. The note payable is secured by certain real estate.	\$ 208,784	\$ 224,255
The Ministry has a note payable bearing an interest rate of the prime rate minus 4.0% with a floor of 0.00% (as of December 31, 2021 and 2020 the interest rate was 0%) requiring monthly principal and interest payments totaling \$2,222 through November 2025. The note payable is secured by certain real estate.	384,444	400,000
In 2020, the Ministry received an Economic Injury Disaster Loan (EIDL) through the CARES Act offered by the United States federal government due to the COVID-19 pandemic for \$10,000 bearing an interest rate of 2.35%. The EIDL allows long-term payments for up to 30 years, but the Ministry anticipates paying the EIDL withing the next twelve months.	-	10,000
The Ministry has a note payable bearing an interest rate of the prime rate minus 4.0% with a floor of 0.00% (as of December 31, 2021 and 2020 the interest rate was 0%) requiring monthly principal and interest payments totaling \$4,836 through January 2034. The note payable is secured by certain real estate.	<u>936,769</u>	<u>926,492</u>
Totals	1,529,997	1,560,747
Less: Current maturities of notes payable	<u>(101,275)</u>	<u>(17,804)</u>
Notes payable, less current maturities	<u>\$ 1,428,722</u>	<u>\$ 1,542,943</u>

Future maturities of the notes payable are as follows:

<u>December 31,</u>	
2022	\$ 101,275
2023	101,275
2024	101,275
2025	101,275
2026	101,275
Thereafter	<u>1,023,622</u>
Total	<u>\$ 1,529,997</u>

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 and 2020

NOTE H—CASH FLOW INFORMATION

Cash disbursements for interest during the years ended December 31, 2021 and 2020 totaled \$1,109 and \$212, respectively. There were no cash disbursements for income taxes during the years ended December 31, 2021 and 2020.

NOTE I—SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through May 9, 2022, which is the date the financial statements were available to be issued. There were no subsequent events or transactions requiring the financial statements to be adjusted.