

TENNESSEE PRISON OUTREACH MINISTRY, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Auditor's Report Thereon

FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2018





Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Tennessee Prison Outreach Ministry, Inc., which comprise the statement of financial position as of December 31, 2018, and the related statement of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 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.

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 Tennessee Prison Outreach Ministry, Inc. as of December 31, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements of Tennessee Prison Outreach Ministry, Inc. as of December 31, 2017 and for the year then ended, were audited by another audit firm whose report dated June 29, 2018 expressed an unmodified opinion on those statements.


Miller CPA, PLLC

Murfreesboro, Tennessee
April 24, 2019

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

ASSETS		
	2018	2017
Cash and equivalents	\$ 480,901	\$ 326,277
Property and equipment, net	1,355,717	1,225,867
Other assets	<u>2,508</u>	<u>3,002</u>
 TOTAL ASSETS	 <u>\$ 1,839,126</u>	 <u>\$ 1,555,146</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 33,879	\$ 14,635
Note payable	<u>249,612</u>	<u>265,224</u>
 TOTAL LIABILITIES	 283,491	 279,859
NET ASSETS		
Net assets without donor restrictions	1,126,869	868,122
Net assets with donor restrictions	<u>428,766</u>	<u>407,165</u>
 TOTAL NET ASSETS	 <u>1,555,635</u>	 <u>1,275,287</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 1,839,126</u>	 <u>\$ 1,555,146</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, 2018 AND 2017

	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	\$ 609,008	\$ 188,901	\$ 797,909	\$ 540,347	\$ 192,042	\$ 732,389
Special events	224,780	-	224,780	-	-	-
Total public support	833,788	188,901	1,022,689	540,347	192,042	732,389
Other revenue						
Interest income	2,026	-	2,026	1,720	-	1,720
Loss on sale of vehicle	(4,300)	-	(4,300)	-	-	-
Rent	51,430	-	51,430	38,585	-	38,585
Total other revenue	49,156	-	49,156	40,305	-	40,305
Net assets released from restrictions	167,300	(167,300)	-	23,589	(23,589)	-
Total public support and other revenue	1,050,244	21,601	1,071,845	604,241	168,453	772,694
EXPENSES						
Programs	550,640	-	550,640	462,022	-	462,022
Management and general	113,621	-	113,621	112,860	-	112,860
Fundraising	127,236	-	127,236	106,639	-	106,639
Total expenses	791,497	-	791,497	681,521	-	681,521
Increase (decrease) in net assets	258,747	21,601	280,348	(77,280)	168,453	91,173
Net assets at beginning of year	868,122	407,165	1,275,287	945,402	238,712	1,184,114
Net assets at end of year	\$ 1,126,869	\$ 428,766	\$ 1,555,635	\$ 868,122	\$ 407,165	\$ 1,275,287

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, 2018 AND 2017

	2018				2017			
		Supporting Services				Supporting Services		
	Program Services	Management and General	Fund- raising	Totals	Program Services	Management and General	Fund- raising	Totals
Compensation and related expenses	\$ 327,301	\$ 70,020	\$ 73,775	\$ 471,096	\$ 284,285	\$ 60,818	\$ 64,079	\$ 409,182
Youth fees	16,826	-	-	16,826	23,898	-	-	23,898
Professional fees	20,298	4,412	4,706	29,416	18,262	3,969	4,234	26,465
Meals and entertainment	-	7,284	-	7,284	-	10,494	-	10,494
Travel	9,800	-	3,435	13,235	3,829	-	1,277	5,106
Depreciation	29,670	6,450	6,880	43,000	26,759	9,528	5,298	41,585
Repairs and maintenance	11,036	-	-	11,036	18,091	-	-	18,091
Postage	1,513	3,627	294	5,434	1,259	3,018	233	4,510
Printing	4,127	13,054	2,295	19,476	4,488	14,196	2,496	21,180
Program and office supplies	63,705	4,395	4,395	72,495	27,542	4,056	4,056	35,654
Utilities	21,398	4,237	7,620	33,255	16,723	3,311	5,955	25,989
Advertising	-	-	4,630	4,630	4,372	3,351	-	7,723
Bank fees	2,011	-	-	2,011	1,060	-	-	1,060
Dues and subscriptions	4,936	-	-	4,936	2,966	-	-	2,966
Miscellaneous	1,234	-	-	1,234	1,649	-	-	1,649
In-kind	22,414	-	-	22,414	14,416	-	-	14,416
Interest	2,350	-	-	2,350	1,236	-	-	1,236
Alarm and security	529	-	-	529	554	-	-	554
Charitable donations	791	-	-	791	1,689	-	-	1,689
Vehicle expenses	10,701	142	716	11,559	8,944	119	598	9,661
Total expenses	550,640	113,621	108,746	773,007	462,022	112,860	88,226	663,108
Direct costs of fundraising event	-	-	18,490	18,490	-	-	18,413	18,413
Total expenses	<u>\$ 550,640</u>	<u>\$ 113,621</u>	<u>\$ 127,236</u>	<u>\$ 791,497</u>	<u>\$ 462,022</u>	<u>\$ 112,860</u>	<u>\$ 106,639</u>	<u>\$ 681,521</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, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 280,348	\$ 91,173
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	43,000	41,959
Loss on sale of vehicles	4,300	-
Non-cash vehicles donated	(8,100)	(11,000)
Decease (increase) in operating liabilities:		
Other assets	494	(3,002)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	<u>19,244</u>	<u>(35,888)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	339,286	83,242
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicles	2,300	-
Purchase of property and equipment	<u>(171,350)</u>	<u>(342,793)</u>
NET CASH USED IN INVESTING ACTIVITIES	(169,050)	(342,793)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	-	220,250
Principal payments of note payable	<u>(15,612)</u>	<u>(7,928)</u>
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	<u>(15,612)</u>	<u>212,322</u>
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	154,624	(47,229)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>326,277</u>	<u>373,506</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 480,901</u>	<u>\$ 326,277</u>

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

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

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, 2018 and 2017, 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

Contributions are recognized as revenue when received or unconditionally pledged. All contributions are available for unrestricted use unless specifically restricted by the donor. Contributions 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, 2018 AND 2017

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

Contributions (continued)

All other donor-restricted contributions 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.

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 Ministry has determined the allocation based on estimates of time and effort within the salaries and compensation expense; which in turn created a percent allocation that was used to determine the allocation of professional fees, printing, utilities, rent, depreciation, postage and vehicle expense.

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, 2018 and 2017 totaled \$4,630 and \$7,723, 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 2017, 2016 and 2015. 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, 2018 and 2017.

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.

Reclassifications

Certain reclassifications have been made to the 2017 financial statements to conform to the presentation used in 2018.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2018 and 2017:

	2018	2017
Land	\$ 373,742	\$ 221,966
Building and improvements	900,515	900,515
Furniture and equipment	132,670	130,396
Vehicles	34,938	33,438
Construction in process	<u>29,183</u>	<u>11,883</u>
	1,471,048	1,298,198
Less: Accumulated depreciation	<u>(115,331)</u>	<u>(72,331)</u>
Property and equipment, net	<u>\$ 1,355,717</u>	<u>\$ 1,225,867</u>

For the years ending December 31, 2018 and 2017 depreciation expense totaled \$43,000 and \$41,585, respectively.

Construction in process consist of funds that are being used to build a women's half-way house. The women's half-way house is not complete as of December 31, 2018; therefore no depreciation has been posted for the construction in process during the year ended December 31, 2018 or 2017. The Ministry anticipates completing the women's half-way house during the year ending December 31, 2019.

NOTE C—AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as December 31, 2018 and 2017, reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2018 and 2017.

	2018	2017
Financial assets, at year-end	\$ 480,901	\$ 326,277
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(428,766)</u>	<u>(407,165)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 52,135</u>	<u>\$ (80,888)</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.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE D – NOTE PAYABLE

The Ministry has a note payable bearing an interest rate of the prime rate minus 4.0% requiring monthly principal and interest payments totaling \$1,382 through June 2032, the maturity date. As of December 31, 2018 the interest rate was 1.5%. The note payable is secured by certain real estate. As of December 31, 2018 and 2017 the balance of the note payable was \$249,612 and \$265,224, respectively.

Future maturities of the note payable are as follows:

<u>December 31,</u>	
2019	\$ 15,365
2020	15,442
2021	15,526
2022	15,610
2023	15,695
Thereafter	<u>171,974</u>
Total	<u>\$ 249,612</u>

NOTE E—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consists of the following as of December 31, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Women's half-way house	\$ 408,766	\$ 407,165
Youth camp	<u>20,000</u>	<u>-</u>
Net assets with donor restrictions	<u>\$ 428,766</u>	<u>\$ 407,165</u>

During the years ended December 31, 2018 and 2017 net assets released from restrictions totaled \$167,300 and \$23,589, respectively. These funds were released mainly through monies spent on the construction of the women's half-way house.

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, 2018 and 2017, the Ministry had \$215,300 and \$40,615, respectively, in funds over the FDIC limit.

NOTE G – CASH FLOW INFORMATION

There were no cash outlays for interest or income taxes during the years ended December 31, 2018 and 2017.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2018 AND 2017

NOTE H – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through April 24, 2019, 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.