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The Thrift Alliance
d/b/a ThriftSmart
Financial Statements
for the Years Ended June 30, 2020 and 2019
and Auditor's Report thereon

THE THRIFT ALLIANCE
d/b/a THRIFTSMART
(A Tennessee Not-For-Profit Organization)

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CERTIFIED PUBLIC ACCOUNTANT

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INDEPENDENT AUDITORS REPORT

To the Board of Directors of
The Thrift Alliance
4890 Nolensville Road
Nashville, Tennessee 37211

I have audited the accompanying financial statements of The Thrift Alliance d/b/a ThriftSmart (a Tennessee nonprofit organization), which comprise the statement of financial position as of June 30, 2020 and 2019 and the related statements of activities 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 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, I expressed 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 The Thrift Alliance d/b/a ThriftSmart as of June 30, 2020 and 2019, 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.

James I. Barber, CPA

Franklin, Tennessee
November 29, 20209

The Thrift Alliance
Statement of Financial Position
June 30, 2020 and 2019

		2020		2019
Assets				
Current assets				
Cash	$	207,389	$	134,228
		207,389		134,228
Fixed assets				
Property and equipment		468,168		353,997
Accumulated depreciation		(322,103)		(322,724)
		146,065		31,273
Other assets				
Website development costs. net of $xxxxx amortization		2,335		2,668
Real property lease deposits		12,500		12,500
		14,835		15,168
Total Assets	$	368,289	$	180,669
Liabilities				
Current liabilities				
Accounts payable	$	22,337	$	19,313
Notes payable - current portion		99,968		29,524
Accrued liabilities		20,632		18,614
Other current liabilities		5,859		6,225
		148,796		73,676
Long term liabilities				
Notes payable		389,454		246,617
Total Long term liabilities		389,454		246,617
Total Liabilities		538,250		320,293
Net Assets				
Net assets (deficit)		(169,961)		(139,624)
Total net assets (deficit)		(169,961)		(139,624)
Total Liabilities and Net Assets	$	368,289	$	180,669

The accompanying notes are an integral part of these financial statements.

The Thrift Alliance
Statement of Activities and Changes in Net Assets
Years Ended June 30, 2020 and 2019

	2020	2019
Unrestricted Net Assets		
Support and Revenue		
Thrift store sales	$ 1,355,960	$ 1,469,337
Contributions	954	11,138
Advertising Revenue	8,000	7,956
Other income	8,895	2,405
Total Support and Revenue	1,373,809	1,490,836
Expenses		
Program Expenses	1,346,171	1,281,732
Management and General Expenses	57,975	63,544
Total Expenses	1,404,146	1,345,276
Change in net assets	(30,337)	145,560
Net assets (deficit), beginning of year	(139,624)	(285,184)
Net assets (deficit), end of year	$ (169,961)	$ (139,624)

The accompanying notes are an integral part of the financial statements.

The Thrift Alliance
Statement of Functional Expenses
Years Ended June 30, 2020 and 2019

		Supporting Services		
	Program Services	Management and General	Totals	Prior Year Totals
Expenses				
Grants to Charitable Organizations	$ 78,000	$ -	$ 78,000	$ -
Salaries and wages	653,511	-	653,511	632,166
Employee benefits	24,799	-	24,799	27,711
Payroll taxes	49,112	-	49,112	49,848
Payroll administration	-	10,000	10,000	9,860
Management fees	-	33,939	33,939	36,668
Legal expense	-	-	-	853
Accounting and auditing	-	13,938	13,938	15,762
Advertising	32,746	-	32,746	30,621
Offices expenses	15,461	-	15,461	12,955
Information technology	33,324	-	33,324	23,744
Occupancy and facilities	307,778	-	307,778	331,142
Interest expense - general	1,640	-	1,640	12,700
Depreciation and amortization	13,501	-	13,501	24,261
Insurance	20,533	-	20,533	17,943
Retail operations	109,540	-	109,540	111,754
Travel and entertainment	-	98	98	401
Dues and subscriptions	5,589	-	5,589	5,888
Personal property taxes	637	-	637	999
Other expense	-	-	-	-
Total Expenses	$ 1,346,171	$ 57,975	$ 1,404,146	$ 1,345,276

The accompanying notes are an integral part of the financial statements.

The Thrift Alliance
Statement of Cash Flow
Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities		
Net income	$ (30,337)	$ 145,560
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:		
Depreciation and amortization	13,501	24,261
(Increase) decrease in prepaid expense	-	10,000
(Increase) decrease in other assets	-	-
Increase (decrease) in accounts payable	3,024	(25,807)
Increase (decrease) in accrued expenses	2,018	1,478
Increase (decrease) in current maturities - notes	70,444	-
Increase (decrease) in other liabilities	(368)	1,053
Total Adjustments	88,619	10,985
Net cash provided by (used in) operating activities	58,282	156,545
Cash flows from investing activities		
Payments for the purchase of property	(114,172)	-
Proceeds from the sale of property	(13,788)	(2,600)
Net cash provided by (used in) investing activities	(127,960)	(2,600)
Cash flows from financing activities		
Proceeds from issuance of long-term debt	174,489	-
Principal payments on long-term debt	(31,652)	(37,840)
Net cash provided by (used in) financing activities	142,837	(37,840)
Net increase (decrease) in cash and cash equivalents	73,159	116,105
Cash and cash equivalents at beginning of year	134,228	18,124
Cash and cash equivalents at end of year	$ 207,387	$ 134,229
Supplemental cash flow disclosures		
Interest (net of amount capitalized)	$ 1,640	$ 12,525

Note A – Summary of Significant Accounting Policies

Nature of Activities

The Thrift Alliance, which operates under the trade name ThriftSmart, was incorporated on September 1, 2004, in accordance with the Tennessee General Corporation Act. The Organization is a 501(c)(3) organization and was organized to create a chain of thrift stores in Middle Tennessee for the purpose of generating profits to benefit community development ministries and create jobs. The existing store is operated under the trade name ThriftSmart.

Cash and Cash Equivalents

For purposes of the Statements of Cash Flows, the Organization considers all unrestricted highly liquid investments with an initial maturity of one year or less to be cash equivalents.

Basis of Accounting

The financial statements of the organization have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Basis of Presentation

Following Financial Accounting Standards Board Accounting Standards Codification (" FASB ASC") guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions.

Contributions

Contributions are recognized when a donor makes a gift to the Organization that it is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Income Taxes

The Organization is a not-for-profit organization that is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3) of the Internal Revenue Code and classified by The Internal Revenue Service as other than a private foundation.

Note A – Summary of Significant Accounting Policies (continued)

The Organization follows FASB ASC 740-10, *Accounting for Uncertainty and Income Taxes*. There was no effect on the financial positions or cumulative adjustment to beginning net assets as a result of the implementation. Management has evaluated its tax positions taken and believes that the total amount of unrecognized tax benefits is not material to the financial statements as a whole. Therefore, no tax liability has been recorded.

The Organization has not recognized any tax related interest and penalties in the accompanying financial statements. Federal tax years that remain open for examination include the years ended June 30, 2016 through June 30, 2020.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent 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.

Advertising Expenses

Costs related to advertising are expensed as incurred. The Organization incurred advertising costs amounting to $13,168 for the fiscal year ended June 30, 2020 and $30,620 for the fiscal year ended June 30, 2019.

Property and Equipment

Management has adopted a policy to capitalize items over $500. Property and equipment are recorded at cost when purchased or, if received as in-kind donations, at fair market value at the date of the donation, if readily determinable. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service. The Organization reclassifies net assets without donor restrictions at that time. Depreciation of property and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Estimated useful lives ranged from 3 to 15 years. Depreciation expense was $13,168 for 2020 and $24,573 for 2019.

Note A – Summary of Significant Accounting Policies (continued)

Contributed Services and Merchandise

No amounts have been reflected in the financial statements for contributed services. The Organization generally pays for services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

Contributed services are recognized if the services (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. During the year ended June 30, 2020 no services meeting the above stipulations were donated to the Organization.

In accordance with FASB ASC 958-605-25-4, a major uncertainty about the existence of value of donated merchandise at the time of the donation indicates that an item received should not be recognized. Accordingly, no value for contributed merchandise has been included in the financial statements. Clothing, furniture and other items contributed to the Organization is offered for sale to the public with the intention of generating funds for the creation of jobs and for the missions supported by the Organization.

Note B - Inventory

The Organization receives contributions of goods and materials and processes these contributions as merchandise available for sale in its retail thrift store. Financial accounting standards require that contributions received be recognized as revenues or gains in the period received and as assets, decreases of liabilities, or decreases of expenses, depending on the form of the benefits received, and that they be measured at their fair value. However, if the existence of value of the contribution is subject to major uncertainty, it may indicate that the contribution should not be recognized.

Management believes that the nature of the contributions of goods and materials are indeed subject to major uncertainty. Management asserts that it is through the value-adding process of preparing the contributed goods and materials for sale that the donated goods and materials obtain value. Accordingly, although the Organization maintains a vast inventory, its cost is valued at zero prior to being offered for sale and is therefore not reflected on the financial statements in accordance with generally accepted accounting principles. Some inventory is purchased and that inventory is represented in the period cost of sales, however there is no segregation of purchased inventory that would allow accountability in the population of total inventory to accommodate an inventory value.

Note C-Property and Equipment

Property and equipment consists of the following as of June 30, 2019 and 2019:

	2020	2019
Machinery and equipment	$ 218,773	$ 218,773
Furniture and fixtures	22,384	22,384
Vehicles	69,855	69,855
Leasehold improvements	42,984	42,984
	353,996	353,996
Less accumulated depreciation	(298,796)	(298,796)
	$ 55,200	$ 55,200

Note D – Operating Leases

The Organization has entered into a modification of the existing operating lease for its retail store located on Nolensville Road in Nashville, Tennessee. Under the modification the rent is set at $17,550 per month, including estimated common area maintenance fees, through March of 2025. Said lease is extendable for an three additional five-year terms with set increases for monthly rent and common area maintenance fees. The total lease obligations, which assumes an five year extension in April 2025 and includes estimated common area maintenance costs, for the next five years are as follows:

Fiscal year ended June 30, 2021	$ 210,600
Fiscal year ended June 30, 2022	210,600
Fiscal year ended June 30, 2023	210,660
Fiscal year ended June 30, 2024	210,600
Fiscal year ended June 30, 2025	214,575
Total	$ 1,124,535

Note E – Related Party Transactions

The Board of Directors has contracted with the Executive Director, an officer of the Organization, to provide guidance with respect to the Organization's operational, management and financial strategies. The Executive Director is compensated for his services at the rate of two and one-half percent of the gross sales of the organization. The amount of compensation was $XX,XXX in 2020 and $27,857 in 2019.

Note F – Liquidity and Availability of Financial Assets

The following reflects the Organization's financial assets as of the balance sheet date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the balance sheet date.

Note F – Liquidity and Availability of Financial Assets (continued)

	2020	2019
Financial Assets at Year End		
Cash and cash equivalents	$ 207,389	$ 134,229
Less amounts unavailable for general expenditures within one year, due to donor restrictions.	-	-
Financial assets available to meet cash needs for general expenditure within one year	$ 207,389	$ 121,720

Note G – Liquidity and Availability of Financial Assets (continued)

On April 14 2020, the Organization received loan proceeds in the amount of $131,950 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. NFP C intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that NFP C is not granted forgiveness, NFP C will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of MONTH DAY, 202X. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

The Organization has recorded a note payable – see **Note H**, below - and will record forgiveness upon being legally released from the loan obligation. No forgiveness income has been recorded for the year ended June 30, 2020. The organization is required to repay any remaining balance plus interest accrued at 1% per annum in monthly payments beginning on November 14, 2020. Principal and interest payments will be required through the maturity date of April 14, 2022.

Note H – Notes Payable

At June 30, 2020 and 2019 long-term debt consisted of the following:

		2020		2019
Promissory note payable to Cumberland Capital Partners, LLC bearing an interest rate of 0% with monthly payments of $3,494 of fixed principal. The note is amortized over ten years maturing on January 21, 2029.	$	357,470	$	276,141
Paycheck Protection Program Promissory note payable to First Freedom Bank bearing interest at 1% per annum with monthly installments of $7,427 principal and interest beginning November 2020. The note is amortized over 18 months maturing April 2022.		131,951		-
Total debt		489,421		276,141
Less current maturities – Assumes no PPP Loan Forgiveness		(99,968)		(29,524)
Long-term debt	$	389,453	$	246,617

Note I – Notes Payable

Future maturities of long-term liabilities are:

		Assumes No PPP Loan Forgiveness		Assumes Full PPP Loan Forgiveness
Fiscal year ended June 30, 2021	$	99,968	$	41,928
Fiscal year ended June 30, 2022		115,853		41,928
Fiscal year ended June 30, 2023		41,928		41,928
Fiscal year ended June 30, 2024		41,928		41,928
Fiscal year ended June 30, 2025		41,928		41,928
Thereafter		147,830		147,830
	$	489,435	$	357,470

Note J – Subsequent Events

The Organization evaluated subsequent events through November 29, 2020, when these financial statements were available to be issued. The Organization's management is not aware of any significant events that occurred subsequent to the statement of financial position date but prior to the issuance of this report that would have a material impact on the financial statements.

Note K – Net Asset Deficit

Management is aware of the technical insolvency created by liabilities exceeding assets. The underlying cause of the technical insolvency was primarily a now closed under-performing retail location. Management took measures during the years ended June 30, 2019 and 2018 to reduce operating costs, closed the under-performing retail location, and refinanced the Organization's long-term debt on more favorable terms. The measures taken appear to have reduced the deficit by approximately fifty-four percent as of June 30, 2019 from that of the prior year. During the year ended June 30, 2020 the Organization resumed distributing grants to other charitable organizations which increased the net asset deficit by approximately twenty-two percent over the prior year.

Note L – Covid-19 and Potential Risk to Operations

The COVID-19 pandemic, whose effects first became known in January 2020, is having a broad and negative impact on commerce and financial markets around the world. The United States and global markets experienced significant declines in value resulting from uncertainty caused by the pandemic. In addition, as of March 30, 2020, Tennessee State Governor Bill Lee ordered the closure of the physical location of every "non-essential" business for what was possibly to be an extended period of time. The impact to the Organization's operations included a temporary closure of its location in order to help in preventing the spread of the aforementioned virus. Future potential impacts may include continued disruptions or restrictions on our employees' ability to work and impairment of our ability to collect revenue. The extent of the impact of COVID-19 on the Organization's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and its impacts on the Organization's customers, employees, and vendors, all of which at present, cannot be determined. Accordingly, the extent to which COVID-19 may impact the Organization's financial position and changes in net assets and cash flows is uncertain and the accompanying financial statements include no adjustments relating to the effects of this pandemic.