PROJECT TRANSFORMATION TENNESSEE, INC. FINANCIAL STATEMENTS

Year Ended December 31, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Project Transformation Tennessee, Inc.

We have audited the accompanying financial statements of Project Transformation Tennessee, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2020, and the related statements 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.

Accountant'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Project Transformation Tennessee, Inc. as of December 31, 2020, 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.

Grannis & Associates, P.C.

Murfreesboro, TN
May 14, 2021

PROJECT TRANSFORMATION TENNESSEE, INC.
STATEMENT OF FINANCIAL POSITION
December 31, 2020

ASSETS

Current Assets:	
Cash and cash equivalents	$ 845,175
Prepaid expenses	20,416
Unconditional promises to give, net	163,910
Total Current Assets	1,029,501
Long-term Unconditional Promises to Give, Net	76,096
Furniture, Equipment and Improvements, Net	10,468
Cash Restricted for Afterschool and Summer Programs	59,032
Total Assets	$ 1,175,097

LIABILITIES AND NET ASSETS

Current Liabilities:	
Accounts payable	$ 2,159
Accrued expenses	7,392
Credit cards payable	3,377
Total Current Liabilities	12,928
Net Assets:	
Without donor restrictions	863,131
With donor restrictions	299,038
Total Net Assets	1,162,169
Total Liabilities and Net Assets	$ 1,175,097

PROJECT TRANSFORMATION TENNESSEE, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2020

SUPPORT, REVENUES AND RECLASSIFICATIONS	Without Donor Restrictions	With Donor Restrictions	Total
Registration fees	$ 110	$ -	$ 110
Private gifts and grants	627,608	170,197	797,805
Noncash donations	63,115	-	63,115
Government grants	158,888	100,659	259,547
Noncash government grants	14,417	-	14,417
Fund-raising income	3,180	-	3,180
Interest income	1,467	-	1,467
Other income	326	-	326
Total Support and Revenues	869,111	270,856	1,139,967
Net assets released from restrictions	270,010	(270,010)	-
Total Support, Revenues and Reclassifications	1,139,121	846	1,139,967
Expenses:			
Program activities			
Afterschool and summer program	561,301	-	561,301
Supporting activities			
Management and general	133,455	-	133,455
Fundraising	123,102	-	123,102
Total supporting activities	256,557	-	256,557
Total Expenses	817,858	-	817,858
Change in net assets	321,263	846	322,109
Net assets, beginning of year	541,868	298,192	840,060
Net assets, end of year	$ 863,131	$ 299,038	$ 1,162,169

PROJECT TRANSFORMATION TENNESSEE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2020

	Program Activities	Supporting Activities		
	Afterschool and Summer Program	Management and General	Fundraising	Total Functional Expenses
Advertising and marketing	$ -	$ 4,707	$ -	$ 4,707
Bank fees	-	3,635	-	3,635
Contracted services	-	-	375	375
Depreciation	743	1,114	-	1,857
Employee benefits	26,715	3,386	7,525	37,626
Enrichment program	120,663	-	-	120,663
Facilities and equipment	6,866	1,718	-	8,584
Fundraising	-	-	11,467	11,467
Insurance	-	17,813	-	17,813
Intern expenses	11,959	-	-	11,959
License and permits	-	260	-	260
Membership and dues	-	868	-	868
Office expenses	-	3,276	-	3,276
Payroll taxes	26,024	3,299	7,331	36,654
Professional development	8,378	931	-	9,309
Professional services	-	29,637	-	29,637
Rent	-	15,400	-	15,400
Salaries and wages	350,611	42,277	96,404	489,292
Supplies	1,258	335	-	1,593
Travel and conventions	4,378	1,094	-	5,472
Utilities	3,706	3,705	-	7,411
Total	$ 561,301	$ 133,455	$ 123,102	$ 817,858

PROJECT TRANSFORMATION TENNESSEE, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 322,109
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Change in operating assets and liabilities:	
Increase in prepaid expenses	(1,951)
Increase in unconditional promises to give	(5,352)
Decrease in accounts payable	1,072
Decrease in accrued expense	2,636
Decrease in credit cards payable	2,599
Increase in cash restricted for afterschool and summer programs	5,329
Change in allowance for doubtful accounts	1,070
Change in pledge discount	(1,893)
Depreciation	1,857
Net Cash Provided by Operating Activities	327,476
Net Increase (Decrease) in Cash and Cash Equivalents	327,476
Cash and Cash Equivalents at Beginning of Year	517,699
Cash and Cash Equivalents at End of Year	$ 845,175

PROJECT TRANSFORMATION TENNESSEE, INC.
NOTES TO FINANCIAL STATEMENTS
December 31, 2020

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by Project Transformation Tennessee, Inc. (the Organization) are as follows:

ORGANIZATION AND NATURE OF ACTIVITIES

The Organization (a Tennessee corporation) was established on August 30, 2011. The purpose of the corporation is to provide leadership development and career and ministry opportunities for young adults as well as offering afterschool and summer programs that encourage literacy and enrich the lives of children and youth in low-income neighborhoods. The Organization is a Chapter of Project Transformation National.

BASIS OF PRESENTATION

The financial statements of the Organization have been prepared on the accrual basis of accounting which is in accordance with accounting principles generally accepted in the United States of America (GAAP); consequently, revenue and gains are recognized when earned, and expenses and losses are recognized when incurred.

BASIS OF PRESENTATION

The Organization classifies information regarding its financial position and activities based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

> Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization.

> Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

PROPERTY AND EQUIPMENT

Property and equipment in excess of $1,000 are carried at cost and are being depreciated using the straight-line method over their estimated useful lives of 7 years. Maintenance and repairs are charged to expense in the period incurred. Depreciation expense for the year is $1,857.

DONATED PROPERTY AND EQUIPMENT

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as support 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 support with donor restrictions.

INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment income and gains restricted by a donor are reported as increases in net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized. Investment earnings are presented net of investment fees.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of 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.

CASH AND CASH EQUIVALENTS

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

DONATED SERVICES

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

CONTRIBUTIONS

Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions.

PROMISES TO GIVE

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction 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.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. The allowance for doubtful accounts totaled $63,037 at December 31, 2020.

CONTRACT REVENUE

The Orgainzation's revenue includes amounts for registration fees for the different afterschool or summer programs being offered to children. These services are considered to be a single performance obligation that is satisfied at the point in time when the service is rendered. Registration fees are required to be paid in advance of services being provided. However, payments are generally recieved in the same period as the service being provided.These amounts are recorded in the Statement of Activities as registration fee income in the period that the performance obligation has been satisfied. Registration fees for future periods are recorded as deferred revenues on the Statement of Financial Position at year-end.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued)

INCOME TAXES

Project Transformation Tennessee, Inc. is a not-for-profit organization exempt from federal income taxes under Internal Revenue Code Section 501(c)(3).

The Financial Accounting Standards Board issued ASC 740-10, which prescribed a comprehensive model for how an organization should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. There was no impact to the Organization's financial statements as a result of the implementation of ASC 740-10.

COST ALLOCATION

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include compensation and benefits, which are allocated on the basis of estimates of time spent. Other expense items are allocated on the basis of estimates of actual usage within each functional category.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amounts of cash and cash equivalents and unconditional promises to give to be received in less than one year approximate fair value because of the short maturity of those financial instruments. The fair value of unconditional promises to give to be received in more than one year is determined based on future cash flows discounted at 3.5%.

The Organization's financial instruments at December 31, 2020, are summarized as follows:

	Carrying Amount	Fair Value
Financial assets:		
Cash and equivalents	$ 845,175	$ 845,175
Cash restricted for afterschool and summer programs	59,032	59,032
Unconditional promises to give	240,006	240,006

ADVERTISING

The Organization follows the policy of charging the costs of advertising and marketing to expense as incurred.

NOTE B - CONCENTRATION OF CREDIT RISK

The Organization maintains a bank account in one commercial bank. Cash in this account at times exceeded $250,000. The Federal Deposit Insurance Corporation (FDIC) secures this bank account up to $250,000. At December 31, 2020, the Organization's uninsured cash balance was $9. The Organization also maintains an ICS account which allows balances over $250,000 to be insured by placing these funds in other ICS network banks in order to take advantage of that institutions FDIC limit. All amounts in this account were considered insured at December 31, 2020.

NOTE C - MAJOR DONORS

Grants, donations, and promises to give are generally due from individuals and organizations primarily from Tennessee. Three donors aggregated approximately 23% of total revenue in 2020.

NOTE D - PROPERTY AND EQUIPMENT

Property and equipment at December 31, 2020, consist of:

Office equipment	$	9,514
Leasehold improvements		11,595
Less accumulated depreciation		(10,641)
	$	10,468

NOTE E - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises for which payment has not been received are included in the financial statements as pledges receivable and revenue in the appropriate net asset category. The Organization has discounted long-term pledges to their estimated net present value, using a discount rate of 3.5%.

Promises to give expected to be collected in:		
Less than one year	$	214,634
One to five years		99,350
More than five years		1,200
		315,184
Less allowance for uncollectible promises to give		(63,037)
Less discount on promises to give		(12,141)
Net unconditional promises to give	$	240,006

Included in unconditional promise to give are $76,886 and $22,772 for grants from the Tennessee Community CARES Program and Community Partnership Fund, respectively.

NOTE F - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

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

Financial assets at year-end	$	1,144,213
Less those unavailable for general expenditures within one year, due to:		
Restricted by donor with time or purpose restrictions		76,096
Subject to appropriation and satisfaction of donor restrictions		59,032
Financial assets available to meet cash needs for general expenditures within one year.	$	1,009,085

The Organization is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization 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 Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due.

NOTE G - RETIREMENT PLAN

The Organization maintains a 403(b) plan for the benefit of its eligible employees. The Organization has agreed to match each participant's salary deferrals dollar-for-dollar up to 3% of each participants compensation. The Organization's contributions to the plan for the year ended December 31, 2020 were $7,938.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted follow the following purposes and periods:

Subject to expenditure for specified purpose:		
Afterschool Program	$	25,376
Summer program - Murfreesboro		7,500
Summer program - Nashville		5,000
Summer program - Clarksville		21,156
Subject to passage of time - for periods after December 31, 2020		240,006
	$	299,038

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during fiscal years ended December 31, 2020 are as follows:

Purpose restrictions accomplished:		
Afterschool and summer programs	$	105,330
Subject to passage of time		164,680
	$	270,010

NOTE I - OPERATING LEASES

The Organization entered into a sublease agreement with Scarritt Bennett Center on August 14, 2017 for its office space. The initial lease term was for two years with a two year extensions available if requested 90 days prior to expiration of the current term. The Organization extended this lease on August 14, 2019 for an additional two years. Current lease payments are $1,250. Rent expense under this sublease totaled $15,000 in 2020.

The following are future minimum lease payments required under the lease:

2021	$	10,000
	$	10,000

NOTE J - CONSEQUENCES OF COVID-19

In March 2020, the World Health Organization declared the outbreak of novel coronavirus disease ("COVID-19") as a pandemic, and we expect our operations to be affected as the virus continues to proliferate. We have adjusted certain aspects of our operations to protect our employee's and those we serve while still meeting the needs of the organization. We will continue to monitor the situation closely and it is possible that we will implement further measures. In light of the uncertainty as to the severity and duration of the pandemic, the impact on our revenues, support, and financial position is uncertain at this time.

NOTE K - FAIR VALUE MEASUREMENTS

Equity securities with readily determinable fair values and all investments in debt securities are reported at fair value with gains and losses included in the statement of activities. Investments in stocks and bonds, which are listed on national securities exchanges, quoted on NASDAQ or on the over-the-counter market are valued at the last reported sales price, or in the absence of a recorded sale, at the value between the most recent bid and asked prices. Investments without readily determinable fair values are carried at estimated fair value. Gains and losses on investments are reported in the statement of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations.

FASB ASC 820-10 establishes a hierarchal disclosure framework which prioritizes and ranks the level of market prices observability used in measuring fair value.

This hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level I - Quoted market prices are available in active market for identical assets or liabilities as of the reporting date.

Level II - Pricing inputs are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. A significant adjustment to a Level II input could result in the Level II measurement becoming a Level III measurement.

Level III - Pricing inputs are unobservable and shall be used to measure fair value to the extent that observable inputs are not available. The inputs into the determination of fair value are based upon the best information available and require significant management judgment or estimation.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following is the fair value measurement of investments measured on a recurring basis at December 31, 2020:

		Fair Value Measurements at Reporting Date Using:
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Cash and cash equivalents	$ 100	$ 100

NOTE L - SUBSEQUENT EVENTS

Subsequent events were evaluated through May 14, 2021, which is the date the financial statements were available to be issued.

NOTE M - PAYCHECK PROTECTION PROGRAM

A note dated April 28, 2020, was issued by the borrower, maturing on April 28, 2022, and bearing interest at a rate of 1% per annum in the amount of $140,408. Maturity of the loan may be extended up to 5 years if the lender and borrower agree. The Note may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the loan will be available to the borrower to fund designated expenses, including certain payroll costs, group health care benefits and other permitted expenses, in accordance with the Payroll Protection Program (PPP).

Under the terms of the loan, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

On December 18, 2020, the Organization received forgiveness of the $140,408 Paycheck Protection Program loan.

NOTE N - ADOPTION OF NEW ACCOUNTING STANDARD

In May 2014 the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting standards generally accepted in the United States of America. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2020. The new standard was applied to all contracts at the date of initial application. As a result of applying this new guidance management has determined this ASU does not have a significant impact on the financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842), which requires lessees to recognize a liability associated with obligations to make payments under the terms of the arrangement in addition to a right-of-use asset representing the lessee's right to use, or control the use of the given asset assumed, under the lease. The standard will be effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Organization is currently evaluating this new standard and the impact it will have on its financial statements.