



The Thrift Alliance d/b/a ThriftSmart

**Financial Statements
for the Years Ended June 30, 2021 and 2020**

and Auditor's Report thereon

THE THRIFT ALLIANCE
d/b/a THRIFTSMAART
(A Tennessee Nonprofit Corporation)

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INDEPENDENT AUDITOR'S 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 (a Tennessee nonprofit corporation), which comprise the statement of financial position as of June 30, 2021 and the related statements of activities, functional expense, 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

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 express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Thrift Alliance as of June 30, 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.

Franklin, Tennessee
November 12, 2021

Member

American Institute of Certified Public Accountants
Tennessee Society of Certified Public Accountants
Sage Accountants Network

The Thrift Alliance
Statement of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Assets</u>		
<u>Current assets</u>		
Cash	\$ 393,295	\$ 207,389
	<u>393,295</u>	<u>207,389</u>
<u>Fixed assets</u>		
Property and equipment	578,064	468,168
Accumulated depreciation	(344,420)	(322,103)
	<u>233,644</u>	<u>146,065</u>
<u>Other assets</u>		
Website development costs	2,002	2,335
Real property lease deposits	12,500	12,500
	<u>14,502</u>	<u>14,835</u>
 Total Assets	 <u><u>\$ 641,441</u></u>	 <u><u>\$ 368,289</u></u>
<u>Liabilities</u>		
<u>Current liabilities</u>		
Accounts payable	\$ 18,694	\$ 22,337
Notes payable - current portion	41,924	99,968
Accrued liabilities	31,328	20,632
Other current liabilities	7,719	5,859
	<u>99,665</u>	<u>148,796</u>
<u>Long term liabilities</u>		
Notes payable	416,439	389,454
	<u>416,439</u>	<u>389,454</u>
Total Long term liabilities	<u>416,439</u>	<u>389,454</u>
Total Liabilities	<u>516,104</u>	<u>538,250</u>
<u>Net Assets</u>		
Net assets (deficit)	125,337	(169,961)
	<u>125,337</u>	<u>(169,961)</u>
Total net assets (deficit)	<u>125,337</u>	<u>(169,961)</u>
Total Liabilities and Net Assets	<u><u>\$ 641,441</u></u>	<u><u>\$ 368,289</u></u>

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, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Unrestricted Net Assets</u>		
<u>Support and Revenue</u>		
Thrift store sales	\$ 1,923,047	\$ 1,355,960
Contributions	163	954
Advertising Revenue	-	8,000
Other income	444	8,895
	<hr/>	<hr/>
Total Support and Revenue	1,923,654	1,373,809
	<hr/>	<hr/>
<u>Expenses</u>		
Program Expenses	1,704,780	1,346,171
Management and General Expenses	75,527	57,975
	<hr/>	<hr/>
Total Expenses	1,780,307	1,404,146
	<hr/>	<hr/>
Change in net assets from operations	143,347	(30,337)
	<hr/>	<hr/>
<u>Other Changes in Net Assets</u>		
Gain on extinguishment of debt	151,951	-
	<hr/>	<hr/>
Total change in net assets	295,298	(30,337)
	<hr/>	<hr/>
Net assets (deficit), beginning of year	(169,961)	(139,624)
	<hr/>	<hr/>
Net assets (deficit), end of year	\$ 125,337	\$ (169,961)
	<hr/> <hr/>	<hr/> <hr/>

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

The Thrift Alliance
Statement of Functional Expenses
Years Ended June 30, 2021 and 2020

		Supporting Services		
	Program Services	Management and General	Totals	Prior Year Totals
<u>Expenses</u>				
Grants to Charitable				
Organizations	\$ 304,000	\$ -	\$ 304,000	\$ 78,000
Salaries and wages	745,709	-	745,709	653,511
Employee benefits	33,119	-	33,119	24,799
Payroll taxes	41,295	-	41,295	49,112
Payroll administration	-	11,193	11,193	10,000
Management fees	-	48,087	48,087	33,939
Accounting and auditing	-	16,119	16,119	13,938
Advertising	39,011	-	39,011	32,746
Offices expenses	25,229	-	25,229	15,461
Information technology	29,599	-	29,599	33,324
Occupancy and facilities	304,483	-	304,483	307,778
Interest expense - general	135	-	135	1,640
Depreciation and amortization	22,650	-	22,650	13,501
Insurance	22,352	-	22,352	20,533
Retail operations	129,453	-	129,453	109,540
Travel and entertainment	-	128	128	98
Dues and subscriptions	7,051	-	7,051	5,589
Personal property taxes	694	-	694	637
Total Expenses	<u>\$ 1,704,780</u>	<u>\$ 75,527</u>	<u>\$ 1,780,307</u>	<u>\$ 1,404,146</u>

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

The Thrift Alliance
Statement of Cash Flow
Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
<u>Cash flows from operating activities</u>		
Increase or (decrease) in net assets	\$ 295,298	\$ (30,337)
Adjustments to reconcile net income (loss) to net cash provided by (used by) operating activities:		
Depreciation and amortization	22,650	13,501
Increase (decrease) in accounts payable	(3,644)	3,024
Increase (decrease) in accrued expenses	10,696	2,018
Increase (decrease) in current maturities - long-term debt	(58,044)	70,444
Increase (decrease) in PPP loan obligation	(73,907)	-
Increase (decrease) in other liabilities	1,860	(368)
Total Adjustments	(100,389)	88,619
Net cash provided by (used in) operating activities	194,909	58,282
<u>Cash flows from investing activities</u>		
Payments for the purchase of property	(109,896)	(114,172)
Proceeds from the sale of property	-	(13,788)
Net cash provided by (used in) investing activities	(109,896)	(127,960)
<u>Cash flows from financing activities</u>		
Proceeds from issuance of long-term debt	-	174,489
Proceeds from issuance of PPP loan long-term debt	142,816	-
Principal payments on long-term debt	(41,924)	(31,652)
Net cash provided by (used in) financing activities	100,892	142,837
Net increase (decrease) in cash and cash equivalents	185,905	73,159
Cash and cash equivalents at beginning of year	207,389	134,228
Cash and cash equivalents at end of year	\$ 393,294	\$ 207,387
<u>Supplemental cash flow disclosures</u>		
Interest (net of amount capitalized)	\$ 413	\$ 1,640

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

The Thrift Alliance
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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.

The Thrift Alliance
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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 fiscal years ended June 30, 2017 through June 30, 2021.

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 \$39,011 for the fiscal year ended June 30, 2021 and \$32,746 for the fiscal year ended June 30, 2020.

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 \$22,317 for the fiscal year ended June 30, 2021 and \$13,168 for the fiscal year ended June 30, 2020.

The Thrift Alliance
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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 fiscal year ended June 30, 2021 no services meeting the above stipulations were donated to the Organization.

As there is substantial uncertainty about the existence of value of donated merchandise at the time of the donation no amount is recognized for said donations. Costs to bring donated merchandise into saleable condition is recorded as program expenses in the Statement of Functional Expenses. 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 substantial uncertainty. Management asserts that it is through the value-adding process of preparing the contributed goods and materials for sale that the contributed 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.

The Thrift Alliance
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note C – Property and Equipment

Property and equipment consist of the following as of June 30, 2021 and 2020:

	<u>2021</u>		<u>2020</u>
Machinery and equipment	\$ 277,584	\$	225,908
Furniture and fixtures	22,384		22,384
Vehicles	108,539		56,067
Leasehold improvements	169,557		163,809
	<hr/> 578,064		<hr/> 468,168
Less accumulated depreciation	(344,420)		(322,103)
	<hr/> \$ 233,644	\$	<hr/> 146,065

Note D – Operating Leases

The Organization 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 three additional five-year terms with set increases for monthly rent and common area maintenance fees. The minimum lease obligation, assuming only the execution of the first-five-year extension in April 2025 and including estimated common area maintenance costs are as follows:

Fiscal year ended June 30, 2022	\$ 210,600
Fiscal year ended June 30, 2023	210,600
Fiscal year ended June 30, 2024	210,600
Fiscal year ended June 30, 2025	214,575
Fiscal year ended June 30, 2026	226,500
Thereafter	849,375
Total	<hr/> \$ 1,922,250

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 \$48,087 in 2021 and \$33,939 in 2020.

The Thrift Alliance
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

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.

	<u>2020</u>	<u>2020</u>
Financial Assets at Year End		
Cash and cash equivalents	\$ 393,295	\$ 207,389
Less amounts unavailable for general expenditures within one year, due to donor restrictions.	<u>-</u>	<u>-</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 393,295</u>	<u>\$ 207,389</u>

Note G – Paycheck Protection Program

On February 1, 2021 the Organization received loan proceeds in the amount of \$142,816 under the Paycheck Protection Program ("PPP") administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and was fully guaranteed by the United States Government. The Organization was eligible for loan forgiveness upon meeting certain requirements. Subsequent to the balance sheet date the Organization was notified that those requirements had been satisfactorily met and that the PPP loan had been forgiven.

The Thrift Alliance
Notes to Financial Statements
For the Years Ended June 30, 2021 and 2020

Note H – Long-Term Debt

At June 30, 2021 and 2020 long-term debt consisted of the following:

	<u>2021</u>	<u>2020</u>
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.	\$ 315,547	\$ 357,470
Paycheck Protection Program Promissory notes payable to First Freedom Bank bearing interest at 1% per annum. During the fiscal year ended June 30, 2021 the Organization was notified that the balance of the loan had been forgiven.	-	131,951
Paycheck Protection Program Promissory notes payable to First Freedom Bank bearing interest at 1% per annum. Subsequent to the balance sheet date the Organization was notified that the balance of the loan had been forgiven.	142,816	-
Total debt	<u>458,363</u>	<u>489,421</u>
Less current maturities – Assumes no PPP Loan Forgiveness	<u>(41,928)</u>	<u>(99,968)</u>
Long-term debt	<u>\$ 416,435</u>	<u>\$ 389,453</u>

Future maturities of long-term debt are:

Fiscal year ended June 30, 2022	41,928
Fiscal year ended June 30, 2023	41,928
Fiscal year ended June 30, 2024	41,928
Fiscal year ended June 30, 2025	41,928
Fiscal year ended June 30, 2026	41,928
Thereafter	<u>105,907</u>
	<u>\$ 315,547</u>

Note I – Subsequent Events

The Organization evaluated subsequent events through November 12, 2021, 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.