

Preston Taylor Ministries, Inc.

Financial Statements
For the Years Ended December 31, 2020 and 2019

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Contents

Independent Auditor's Report	1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	5
Statements of Cash Flows	7
Notes to Financial Statements	8 - 13



Independent Auditor's Report

Board of Directors
Preston Taylor Ministries, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Preston Taylor Ministries, Inc. (a Tennessee not-for-profit corporation), which comprise the statements of financial position as of December 31, 2020 and 2019, the related statements of activities, functional expenses, 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

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 Preston Taylor Ministries, Inc. as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Blankenship CPA Group, PLLC
Brentwood, Tennessee
June 11, 2021

Preston Taylor Ministries, Inc.
 Statements of Financial Position
 December 31, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 629,637	\$ 416,886
Contributions receivable	63,547	2,500
Certificate of deposit	78,942	77,623
Prepaid expenses	3,816	3,949
Cash, designated for long-term purposes	113,210	113,210
Property and equipment, net	<u>774,703</u>	<u>804,174</u>
Total assets	\$ 1,663,855	\$ 1,418,342
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 6,023	\$ 785
Accrued payroll and taxes	6,381	7,705
PPP Loan	202,615	-
Note payable	<u>135,933</u>	<u>145,540</u>
Total liabilities	350,952	154,030
Net assets		
Without donor restrictions	1,217,363	1,260,812
With donor restrictions	<u>95,540</u>	<u>3,500</u>
Total net assets	<u>1,312,903</u>	<u>1,264,312</u>
Total liabilities and net assets	\$ 1,663,855	\$ 1,418,342

Preston Taylor Ministries, Inc.
Statement of Activities
For the Year Ended December 31, 2020

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions			
Individuals	\$ 739,629	\$ 90,941	\$ 830,570
Foundations/corporate	345,386	95,540	440,926
In-kind	115,763	-	115,763
Churches	166,536	-	166,536
Special events (net of direct benefit to donors of \$9,798)	58,949	-	58,949
T-shirt sales	472	-	472
Interest	2,034	-	2,034
Loss on disposal of property and equipment	(729)	-	(729)
Net assets released from restrictions	<u>94,441</u>	<u>(94,441)</u>	<u>-</u>
Total support and revenues	1,522,481	92,040	1,614,521
Expenses			
Program services	1,346,252	-	1,346,252
Management and general	116,327	-	116,327
Fundraising	<u>103,351</u>	<u>-</u>	<u>103,351</u>
Total expenses	1,565,930	-	1,565,930
Change in net assets	(43,449)	92,040	48,591
Net assets, beginning of year	<u>1,260,812</u>	<u>3,500</u>	<u>1,264,312</u>
Net assets, end of year	\$ 1,217,363	\$ 95,540	\$ 1,312,903

Preston Taylor Ministries, Inc.
Statement of Activities
For the Year Ended December 31, 2019

	Without donor restrictions	With donor restrictions	Total
Support and Revenues			
Contributions			
Individuals	\$ 748,805	\$ -	\$ 748,805
Foundations/corporate	367,448	3,500	370,948
In-kind	123,194	-	123,194
Churches	129,329	-	129,329
Special events (net of direct benefit to donors of \$16,095)	55,962	-	55,962
T-shirt sales	1,280	-	1,280
Interest	6,268	-	6,268
Loss on disposal of property and equipment	(8,533)	-	(8,533)
Net assets released from restrictions	<u>110,875</u>	<u>(110,875)</u>	<u>-</u>
Total support and revenues	1,534,628	(107,375)	1,427,253
Expenses			
Program services	1,269,481	-	1,269,481
Management and general	117,314	-	117,314
Fundraising	<u>115,694</u>	<u>-</u>	<u>115,694</u>
Total expenses	1,502,489	-	1,502,489
Change in net assets	32,139	(107,375)	(75,236)
Net assets, beginning of year	<u>1,228,673</u>	<u>110,875</u>	<u>1,339,548</u>
Net assets, end of year	\$ 1,260,812	\$ 3,500	\$ 1,264,312

Preston Taylor Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program Services	Management and general	Fundraising	Total
Personnel	\$ 962,415	\$ 53,187	\$ 76,168	\$ 1,091,770
Depreciation	42,264	11,271	2,818	56,353
Development	-	-	10,758	10,758
Facility maintenance and taxes	24,238	8,079	-	32,317
Facility rent	72,496	-	-	72,496
Insurance	5,349	3,489	-	8,838
Interest	5,294	1,765	-	7,059
Office supplies	1,717	6,389	3,228	11,334
Outings and retreats	570	-	-	570
Printing and postage	-	4,780	464	5,244
Professional fees	840	23,000	-	23,840
Programming supplies and fees	178,279	-	-	178,279
Special events	-	-	12,191	12,191
Training	997	99	-	1,096
Transportation	30,275	-	-	30,275
Travel, meals, and meetings	3,554	313	-	3,867
Utilities and telephone	16,169	3,895	825	20,889
Volunteer training/appreciation	1,795	-	-	1,795
Bank merchant fees	-	60	6,697	6,757
Total expenses before direct benefit to donors	1,346,252	116,327	113,149	1,575,728
Direct benefit to donors	-	-	(9,798)	(9,798)
Total expenses	\$ 1,346,252	\$ 116,327	\$ 103,351	\$ 1,565,930

Preston Taylor Ministries, Inc.
Statement of Functional Expenses
For the Year Ended December 31, 2019

	Program Services	Management and general	Fundraising	Total
Personnel	\$ 922,563	\$ 52,260	\$ 97,583	\$ 1,072,406
Depreciation	43,570	11,618	2,905	58,093
Development	4,205	-	2,898	7,103
Facility maintenance and taxes	8,128	7,314	812	16,254
Facility rent	85,224	-	-	85,224
Insurance	4,911	5,507	-	10,418
Interest	7,526	-	-	7,526
Office supplies	4,160	4,741	925	9,826
Outings and retreats	30,758	-	-	30,758
Printing and postage	854	7,255	1,260	9,369
Professional fees	1,535	21,500	-	23,035
Programming supplies and fees	90,050	-	-	90,050
Special events	-	-	20,418	20,418
Training	441	602	90	1,133
Transportation	36,687	-	-	36,687
Travel, meals, and meetings	7,096	2,548	33	9,677
Utilities and telephone	17,834	3,836	650	22,320
Volunteer training/appreciation	3,939	-	-	3,939
Bank merchant fees	-	133	4,215	4,348
Total expenses before direct benefit to donors	1,269,481	117,314	131,789	1,518,584
Direct benefit to donors	-	-	(16,095)	(16,095)
Total expenses	\$ 1,269,481	\$ 117,314	\$ 115,694	\$ 1,502,489

Preston Taylor Ministries, Inc.
Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019

	2020	2019
Cash, beginning of year	\$ 530,096	\$ 580,202
Cash flows from operating activities		
Change in net assets	48,591	(75,236)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	56,353	58,093
Amortization of discount on note payable	7,059	7,526
Contribution of investments	-	-
In-kind contribution of property and equipment	(13,635)	(11,570)
Loss on disposal of property and equipment	729	8,533
Change in:		
Contributions receivable	(61,047)	(2,500)
Prepaid expenses	133	(762)
Accounts payable	5,239	(3,842)
Accrued payroll and taxes	(1,324)	(12,919)
Net cash provided (used) by operating activities	<u>42,098</u>	<u>(32,677)</u>
Cash flows from investing activities		
Proceeds from the sale of investments	-	34,764
Additions to certificate of deposit	(1,319)	(1,425)
Proceeds from the disposal of property and equipment	-	1,100
Payments for property and equipment	(13,976)	(35,201)
Net cash provided (used) by investing activities	<u>(15,295)</u>	<u>(762)</u>
Cash flows from financing activities		
Proceeds from PPP loan	202,615	-
Payments on note payable	(16,667)	(16,667)
Net cash provided (used) by financing activities	<u>185,948</u>	<u>(16,667)</u>
Net change in cash	<u>212,751</u>	<u>(50,106)</u>
Cash, end of year	\$ 742,847	\$ 530,096
Reconciliation of cash to statements of financial position		
Cash	\$ 629,637	\$ 416,886
Cash, designated for long-term purposes	<u>113,210</u>	<u>113,210</u>
	\$ 742,847	\$ 530,096

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 1. Ministry and Nature of Activities

Preston Taylor Ministries, Inc. (the Ministry) is a Tennessee not-for-profit corporation that empowers Preston Taylor children and youth to discover and live their God-inspired dreams, develop a love for learning, and build joy-filled friendships that glorify Christ Jesus. The Ministry was founded in 1998 to confront many of the problems present in the Preston Taylor public housing area: problems like drug use, gang involvements, teenage pregnancy, illiteracy, poor school performance, and crime. The Ministry is supported by grants and contributions from foundations, individuals, churches, and other ministries.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The financial statements of the Ministry have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP), which requires the Ministry to report information regarding its financial position and activities according to the following net asset classifications:

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 Ministry. These net assets may be used at the discretion of the Ministry's management and the board of directors.

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 Ministry or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Income Taxes

The Ministry is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and the tax laws of the state of Tennessee.

Cash and Certificate of Deposit

Cash includes checking and money market deposits held by financial institutions. The certificate of deposit has an original maturity date in excess of three months.

Property and Equipment and Depreciation

The Ministry follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$500. Donations of property and equipment are recorded as revenues at their estimated fair value. Such donations are reported as net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. When depreciable assets are disposed of, the cost and related accumulated depreciation are removed from the accounts, and any gain (except on trade-in) or loss is included in the statements of activities for the period. A gain on trade-in is applied to reduce the cost of the new acquisition. Depreciation is provided over the estimated useful life of the asset which ranges from 2 to 40 years and is computed on the straight-line method.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

Investments

The Ministry's policy is to liquidate investments as soon as practical after the donation of investment securities is received. Occasionally, the Ministry will have equity investment securities on the statements of financial position that have not been liquidated at year-end. These investments, if any, are stated in the aggregate at estimated fair market value based on Level 1 inputs which is valued by quoted market prices in active markets for identical assets.

PPP Loan

The Ministry received a loan in accordance with the Paycheck Protection Program (PPP) section of the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). US GAAP provides organizations with two alternatives for reporting the loan and any future forgiveness: 1) proceeds can be treated as debt and future forgiveness recognized as income when the loan or any portion thereof is formally discharged; or 2) proceeds can be treated as a conditional contribution where they recognize a refundable advance and derecognize the liability, and recognize income, as the conditions for forgiveness are substantially met or explicitly waived. The Ministry has elected to treat the PPP loan as debt.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. 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 contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Contributed Goods and Services

Various volunteers donate many hours to the Ministry's program services. These contributed services are only reflected in the financial statements when the services require specialized skills that would otherwise need to be purchased. Property, equipment, materials, and other assets received as donations are recorded and reflected in the accompanying statements of financial position at their estimated fair values at the date of the receipt.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 2. Summary of Significant Accounting Policies

Functional Expenses

The costs of providing program services and supporting services have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

	Method of allocation
Personnel	Time and effort
Depreciation	Facility square footage
Utilities and telephone	Facility square footage and time and effort
Facilities maintenance	Facility square footage
Insurance	Time and effort
Office supplies	Time and effort
Travel, meals, and meetings	Time and effort
Printing and postage	Time and effort
Bank merchant fees	Time and effort
Training	Time and effort

Note 3. Availability and Liquidity

The following represents the Ministry's financial assets at December 31:

	2020	2019
Financial assets		
Cash	\$ 742,847	\$ 530,096
Contributions receivable	63,547	2,500
Certificate of deposit	<u>78,942</u>	<u>77,623</u>
Total financial assets at year-end	885,336	610,219
Less amounts not available to be used within one year		
Maintenance reserve	<u>(113,210)</u>	<u>(113,210)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ 772,126	\$ 497,009

As part of its liquidity plan, the Ministry has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Ministry receives year-round donations from individuals, foundations, and churches and the Ministry makes specific appeals at strategic times of the year for specific projects. Cash flow is tracked through regular budget to actual comparisons which are monitored by management, the finance committee, and the board of directors.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 4. Grants Receivable

The grants receivable represents grant awards received by the Ministry but that have not yet been collected. The Ministry provides an allowance for estimated losses on grants receivable in the period deemed uncollectible. No allowance was deemed necessary as of December 31, 2020 and 2019. Grants receivable are considered current since they are expected to be collected within one year.

Note 5. Property and Equipment

Property and equipment consist of the following at December 31:

	2020	2019
Land	\$ 142,290	\$ 142,290
Building and improvements	803,066	797,981
Transportation vehicles	108,385	106,085
Computers and software	55,267	51,517
Furniture and equipment	31,079	31,079
Less: accumulated depreciation	<u>(379,359)</u>	<u>(324,779)</u>
Property and equipment, net	\$ 774,703	\$ 804,174

Depreciation expense was \$56,353 and \$58,093 for the years ended December 31, 2020 and 2019, respectively.

Note 6. PPP Loan

On April 14, 2020, the Ministry received a loan in the amount of \$202,615 in accordance with the PPP section of the CARES Act. Under this loan program, the Ministry may be eligible for forgiveness of some portion of the loan up to 100%, if and when qualifying conditions are met. Accounting for the loan and any future forgiveness could have an impact on future financial reporting. On May 11, 2021, the Ministry filed for forgiveness with the US Small business Administration and expects to get full forgiveness.

Note 7. Note Payable, Related Party

In 2016, the Ministry entered into a \$250,000 note payable with a member of the board of directors that was used to purchase a facility for ministry use. The note calls for monthly payments of \$1,389 with a stated interest rate of 0% and an imputed rate 5.0%. The note matures in July 2031. Interest expense related to the note payable totaled \$7,059 and \$7,526 for 2020 and 2019, respectively. The note is collateralized by the property which was purchased with the proceeds.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 7. Note Payable, Related Party

A schedule of expected future payments as of December 31, 2020 are as follows:

Year ended December 31,		
2021	\$	16,667
2022		16,667
2023		16,667
2024		16,667
2025		16,667
Thereafter		<u>91,666</u>
Total		175,001
Less: interest imputed at 5.0%		<u>(39,068)</u>
Total	\$	135,933

Note 8. Net Assets

Net assets with donor restrictions represent contributions received that are primarily restricted for specific programs.

Note 9. In-kind Contributions

The following in-kind contributions have been included in revenues and assets/expenses in the financial statements for the years ended December 31:

	2020	2019
Expenses, facility rent	\$ 68,896	\$ 81,624
Expenses, community outreach supplies	33,232	30,000
Assets, property and equipment	<u>13,635</u>	<u>11,570</u>
	\$ 115,763	\$ 123,194

Note 10. Leasing Arrangements

The Ministry provides programming at six (nine in 2019) locations for which the ministry space is provided free of charge. In-kind contributions and rent expense has been recorded on the statements of activities for this rent (see note 9). Five (eight in 2019) of the leases are informal arrangements that are recorded on a month-to-month basis. One of the leases contains a yearly renewal option that can be cancelled by either the lessor or lessee with a 60 day notice.

Preston Taylor Ministries, Inc.
Notes to Financial Statements
For the Years Ended December 31, 2020 and 2019

Note 10. **Leasing Arrangements**

The Ministry also has entered an operating lease for office equipment. A schedule of future minimum lease payments under this operating lease is as follows:

Year ended December 31,		
2021	\$	2,832
2022		2,832
2023		<u>1,416</u>
Total	\$	7,080

Rent expense was \$75,443 and \$88,807 for 2020 and 2019, respectively.

Note 11. **Concentrations**

The Ministry has cash balances and a certificate of deposit in a bank in excess of amounts federally insured. The uninsured balances totaled approximately \$206,500 and \$6,500 at December 31, 2020 and 2019, respectively. The Ministry maintains its cash and certificate of deposit with high quality financial institutions which the Ministry believes limits these risks.

Note 12. **Subsequent Events**

The Ministry has evaluated subsequent events through June 11, 2021, the date on which the financial statements were available to be issued.