

TENNESSEE PRISON OUTREACH MINISTRY, INC.

(A Nonprofit Organization)

Financial Statements

With Independent Auditor's Report Thereon

FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018



Tennessee Prison Outreach Ministry, Inc.

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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 statements of financial position as of December 31, 2019 and 2018, and 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 audits 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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read 'Scott Miller CPA, PLLC', is written over the printed name.

Miller CPA, PLLC
Murfreesboro, Tennessee
April 2, 2020

TENNESSEE PRISON OUTREACH MINISTRY, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

ASSETS		
	2019	2018
Cash and equivalents	\$ 602,179	\$ 480,901
Grants receivable	22,271	2,508
Property and equipment, net	1,422,882	1,355,717
Other assets	<u>18,255</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 2,065,587</u>	 <u>\$ 1,839,126</u>
 LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable and accrued expenses	\$ 29,966	\$ 33,879
Note payable	<u>242,059</u>	<u>249,612</u>
 TOTAL LIABILITIES	 272,025	 283,491
NET ASSETS		
Net assets without donor restrictions	1,220,447	1,126,869
Net assets with donor restrictions	<u>573,115</u>	<u>428,766</u>
 TOTAL NET ASSETS	 <u>1,793,562</u>	 <u>1,555,635</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 2,065,587</u>	 <u>\$ 1,839,126</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, 2019 AND 2018

	2019			2018		
	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	\$ 690,855	\$ 187,879	\$ 878,734	\$ 609,008	\$ 188,901	\$ 797,909
Special events	127,095	-	127,095	224,780	-	224,780
Total public support	817,950	187,879	1,005,829	833,788	188,901	1,022,689
Other revenue						
Interest income	3,008	-	3,008	2,026	-	2,026
Loss on sale of vehicle	-	-	-	(4,300)	-	(4,300)
Rent	77,243	-	77,243	51,430	-	51,430
Total other revenue	80,251	-	80,251	49,156	-	49,156
Net assets released from restrictions	43,530	(43,530)	-	167,300	(167,300)	-
Total public support and other revenue	941,731	144,349	1,086,080	1,050,244	21,601	1,071,845
EXPENSES						
Programs	580,806	-	580,806	550,640	-	550,640
Management and general	145,921	-	145,921	113,621	-	113,621
Fundraising	121,426	-	121,426	127,236	-	127,236
Total expenses	848,153	-	848,153	791,497	-	791,497
Increase in net assets	93,578	144,349	237,927	258,747	21,601	280,348
Net assets at beginning of year	1,126,869	428,766	1,555,635	868,122	407,165	1,275,287
Net assets at end of year	\$ 1,220,447	\$ 573,115	\$ 1,793,562	\$ 1,126,869	\$ 428,766	\$ 1,555,635

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, 2019 AND 2018

	2019				2018			
	Supporting Services				Supporting Services			
	Program Services	Management and General	Fund- raising	Totals	Program Services	Management and General	Fund- raising	Totals
Compensation and related expenses	\$ 353,291	\$ 66,144	\$ 60,619	\$ 480,054	\$ 327,301	\$ 70,020	\$ 73,775	\$ 471,096
Youth fees	15,241	-	-	15,241	16,826	-	-	16,826
Professional fees	11,476	41,619	1,593	54,688	20,298	4,412	4,706	29,416
Meals and entertainment	8,001	620	-	8,621	-	7,284	-	7,284
Travel	4,357	-	2,360	6,717	9,800	-	3,435	13,235
Depreciation	59,421	12,918	13,779	86,118	29,670	6,450	6,880	43,000
Repairs and maintenance	22,552	-	-	22,552	11,036	-	-	11,036
Postage	2,530	2,856	67	5,453	1,513	3,627	294	5,434
Printing	12,921	4,973	1,944	19,838	4,127	13,054	2,295	19,476
Program and office supplies	20,383	1,072	134	21,589	63,705	4,395	4,395	72,495
Utilities	23,218	10,127	761	34,106	21,398	4,237	7,620	33,255
Advertising	-	-	6,037	6,037	-	-	4,630	4,630
Bank fees	-	2,195	-	2,195	2,011	-	-	2,011
Dues and subscriptions	6,172	815	414	7,401	4,936	-	-	4,936
Miscellaneous	4,908	1,067	1,138	7,113	1,234	-	-	1,234
In-kind	11,237	-	-	11,237	22,414	-	-	22,414
Interest	9,288	-	-	9,288	2,350	-	-	2,350
Alarm and security	529	-	-	529	529	-	-	529
Charitable donations	7,301	-	-	7,301	791	-	-	791
Vehicle expense	7,980	1,515	391	9,886	10,701	142	716	11,559
Total expenses	580,806	145,921	89,237	815,964	550,640	113,621	108,746	773,007
Direct costs of fundraising event	-	-	32,189	32,189	-	-	18,490	18,490
Total expenses	\$ 580,806	\$ 145,921	\$ 121,426	\$ 848,153	\$ 550,640	\$ 113,621	\$ 127,236	\$ 791,497

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, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 237,927	\$ 280,348
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	86,118	43,000
Loss on sale of vehicles	-	4,300
Non-cash vehicles donated	-	(8,100)
Decease (increase) in operating assets:		
Grants receivable	(19,763)	494
Other assets	(18,255)	-
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	<u>(3,913)</u>	<u>19,244</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>282,114</u>	<u>339,286</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of vehicles	-	2,300
Purchase of property and equipment	<u>(146,269)</u>	<u>(171,350)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(146,269)</u>	<u>(169,050)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments of note payable	<u>(7,553)</u>	<u>(15,612)</u>
NET INCREASE IN CASH AND EQUIVALENTS	<u>128,292</u>	<u>154,624</u>
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>480,901</u>	<u>326,277</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u><u>\$ 609,193</u></u>	<u><u>\$ 480,901</u></u>

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

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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 and Grants

Contributions and grants are recognized as revenue when received or unconditionally pledged. All contributions and grants are available for unrestricted use unless specifically restricted by the donor. Contributions and grants 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, 2019 AND 2018

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

Contributions and Grants (continued)

All other donor-restricted contributions and grants 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.

Grants Receivable

Grant reimbursement requests have been recorded as grants receivable. The grants receivable are recorded when the expense for reimbursement has been incurred. Each grant agreement defines when a particular grant is considered past due which ranges from 30 to 60 days from the invoice date. The Ministry does not charge interest or a finance charge on past due grant receivable accounts. The Ministry estimates an allowance for doubtful grants receivable based upon historical trends, contractual obligations and ability to pay. Generally, the Ministry does not require collateral or other security to support the grants receivable. As of December 31, 2019 and 2018, management estimated the allowance for doubtful grants to be \$-0-.

Property and Equipment, Net

The Ministry capitalizes all property and equipment expenditures with a cost of \$500 or more having estimated useful lives of more than one year. Property and equipment are capitalized at cost or, for donated items, at fair value as of the date received. When property and equipment are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the accounts and any resulting gain or loss is included in the statement of activities for the respective period.

Property and equipment are depreciated using the straight-line method over the estimated useful lives of the related assets.

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. Functional expenses are allocated based on the actual costs incurred and time spent on activities.

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, 2019 and 2018 totaled \$6,037 and \$4,630, respectively.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

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

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 2018, 2017 and 2016. 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, 2019 and 2018.

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 2018 financial statements to conform to the presentation used in 2019.

NOTE B—PROPERTY AND EQUIPMENT, NET

Property and equipment, net consists of the following as of December 31, 2019 and 2018:

	2019	2018
Land	\$ 404,454	\$ 373,742
Building and improvements	900,515	900,515
Furniture and equipment	150,700	132,670
Vehicles	34,938	34,938
Construction in process	133,724	29,183
	1,624,331	1,471,048
Less: Accumulated depreciation	(201,449)	(115,331)
Property and equipment, net	<u>\$ 1,422,882</u>	<u>\$ 1,355,717</u>

For the years ending December 31, 2019 and 2018 depreciation expense totaled \$86,118 and \$43,000, 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, 2019; therefore no depreciation has been posted for the construction in process during the years ended December 31, 2019 or 2018. The Ministry anticipates completing the women's half-way house during the year ending December 31, 2020.

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE C—AVAILABILITY OF FINANCIAL ASSETS

The following reflects the Ministry's financial assets as December 31, 2019 and 2018, reduced by amounts not available for general use because of donor imposed restrictions within one year of December 31, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets, at year-end	\$ 602,179	\$ 480,901
Less those unavailable for general expenditures within one year, due to:		
Donor-imposed restrictions:		
Restricted by donor with time or purpose restrictions	<u>(573,115)</u>	<u>(428,766)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 29,064</u>	<u>\$ 52,135</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.

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, 2019 the interest rate was 0.75%. The note payable is secured by certain real estate. As of December 31, 2019 and 2018 the balance of the note payable was \$236,590 and \$249,612, respectively.

Future maturities of the note payable are as follows:

<u>December 31,</u>	
2020	\$ 15,442
2021	15,526
2022	15,610
2023	15,695
2024	15,754
Thereafter	<u>158,563</u>
Total	<u>\$ 236,590</u>

TENNESSEE PRISON OUTREACH MINISTRY, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

NOTE E—NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the following as of December 31, 2019 and 2018:

		Net Asset		
		With Donor	Released	
		Restriction	from	
	December 31, 2018	Contributions	Restrictions	December 31, 2019
Women's half-way house	\$ 408,766	\$ 146,619	\$ (60)	\$ 555,325
Youth camp	20,000	41,260	(43,470)	17,790
Net assets with donor restrictions	<u>\$ 428,766</u>	<u>\$ 187,879</u>	<u>\$ (43,530)</u>	<u>\$ 573,115</u>

During the years ended December 31, 2019 and 2018 net assets released from restrictions totaled \$43,530 and \$167,300, respectively. These funds were released mainly through monies spent on the youth camp.

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, 2019 and 2018, the Ministry had \$138,652 and \$215,300, 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, 2019 and 2018.

NOTE H – SUBSEQUENT EVENTS REVIEW

Subsequent events have been evaluated through April 2, 2020, 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.